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# China Report

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8 June 1984

## CHINA REPORT ECONOMIC AFFAIRS

### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

JINGJI YANJIU on Management of Self-Raised Funds (Zhang Guocai; JINGJI YANJIU, No 3, 20 Mar 84) .....	1
Journal on Chen Yen 1945 Financial Work Speech (Zhao Xiaomin; JINGJI YANJIU, No 3, 20 Mar 84) .....	8
JINGJI YANJIU Discusses Product Tax System (Guo Yuanxi; JINGJI YANJIU, No 3, 20 Mar 84) .....	15

##### ECONOMIC PLANNING

Journal on Compensation in Fixed Assets Cost (Yang Runlin; JINGJI YANJIU, No 3, 20 Mar 84) .....	22
---	----

##### AGGREGATE ECONOMIC DATA

Briefs	
Guangdong Industrial Production Increases	28
Guangdong Commodity Prices Decrease	28
Guangxi Industrial Enterprises	28
Gansu Industry	28
Shaanxi Economic Results	29

##### ECONOMIC MANAGEMENT

Tianjin, Other Areas Cooperating in Technology (Wu Si, Zhang Fuxiang; JINGJI GUANLI, No 4, 5 Apr 84) .....	30
Journal on Gansu's Cooperation With Other Areas (Wang Yong Chang; JINGJI GUANLI, No 4, 5 Apr 84) .....	37

Article on Improving Economic Results of Arms Industry (Tong Xu, et al.; JINGJI GUANLI, No 4, 5 Apr 84) .....	42
FINANCE AND BANKING	
GONGREN RIBAO Discusses Issuing Bonus Taxes (Yun Zhiping, Yu Leigui; GONGREN RIBAO, 5 May 84) .....	47
Zhejiang Commercial Departments Overfulfill Tax Payments (Tang Jinyang; ZHEJIANG RIBAO, 1 Dec 83) .....	51
Problems in the Big Financial Inspection (JINGJI RIBAO, 19 Jan 84) .....	52
Briefs	
Xinjiang Financial Inspection Achievements	53
MINERAL RESOURCES	
Briefs	
Qinghai Gold Rush	54
INDUSTRY	
Heilongjiang Second Light Industry Improves Economic Results (Li Chunkuo; HEILONGJIANG RIBAO, 17 Feb 84) .....	55
Commune, Brigade-Run Industries Important to Rural Economy (Guo Baoquan; XINHUA RIBAO, 21 Feb 84) .....	57
CONSTRUCTION	
Xinhua Commentary on Beijing Urban Construction (XINHUA, 7 May 84) .....	59
Xizang To Build 43 Construction Projects (Xizang Regional Service, 22 May 84) .....	62
Contract System Savings Funds in State Projects Viewed (RENMIN RIBAO, 9 May 84) .....	63
Chengdu Experiences Brisk Housing Trade (XINHUA, 24 May 84) .....	65
Briefs	
Lhasa Hotel Design Plan	66
New Suspension Bridge	66
DOMESTIC TRADE	
Journal on Changes, Problems in Beijing Market (Shen Yang; JINGJI GUANLI, No 4, 5 Apr 84) .....	67

Heilongjiang Eases Commodity Pricing Policies (Heilongjiang Provincial Service, 12 May 84) .....	75
---	----

Briefs	
Guangdong Commodity Prices .....	76

#### FOREIGN TRADE

Utilization of Foreign Capital by Agricultural Departments (Tian Jijin; JINGJI RIBAO, 25 Jan 84) .....	77
---	----

Support of Contracts for Foreign Projects, Labor Services (Wang Rangshan; JINGJI RIBAO, 25 Jan 84) .....	79
---	----

#### TRANSPORTATION

China Promoting Container Transport (JINGJI RIBAO, 28 Jan 84) .....	81
--	----

#### GENERAL

Journal on Developing Qinghai Province (Xie Shusen, Chen Bing; JINGJI YANJIU, No 3, 20 Mar 84) .....	83
---	----

Li Lian Discusses Sanjiang Plain Development (Heilongjiang Provincial Service, 13 May 84) .....	92
--	----

Ma Hong Views Taxes, Profits, Output Value (Ma Hong; RENMIN RIBAO, 7 May 84) .....	94
---	----

## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU ON MANAGEMENT OF SELF-RAISED FUNDS

HK220540 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 3, 20 Mar 84  
pp 71-74

[Article by Zhang Guocai [1728 0948 2088] of the Capital Construction Teaching and Research Office of the Liaoning Institute of Finance and Economics:  
"Management of Self-Raised Funds Must Be Strengthened, If the Scale of Capital Construction Is To Be Controlled"]

[Text] The problem of strictly controlling the scale of capital construction may be said to be a very commonplace one. As early as in 1957, Comrade Chen Yun had already pointed out that the scale of construction must conform with the national strength. Unfortunately, over many years this has never been a reality. Although the causes are many, confusion in the management of self-raised funds must be mentioned as one of the important factors in overextending the scale of construction. Hence, in order to effectively control the scale of capital construction, it is necessary to strengthen the management of self-raised funds.

#### I

Self-raised funds for capital construction generally refer to the mobile financial power not included in the state budget. They embrace two important areas, namely, self-raised funds of local financial departments and self-raised funds of various departments and various enterprise units. Following the restructuring of the financial management system of our country, they have become increasingly important sources of funds in capital construction investments in our country.

Undoubtedly it is entirely correct for the various localities, departments and enterprise units, following the guidance of the state's unified plan and alongside the capital construction investments arranged for in the budget and based on their own needs and capacity, to employ self-raised funds to undertake certain capital construction projects of their own. It arouses the enthusiasm of the localities, departments, and enterprise units, makes up for the insufficiencies in construction investments earmarked in the budget, raises social production capacity and effect, further satisfies the needs in social production and the material and cultural life of the people, and generally performs the role of making up for deficiencies in an all-round way. In reality, self-raised funds have already gone beyond the role of being subordinate and subservient to the state budget and of merely replenishing the state budget. They have now directly affected the realization of the national economic plan and the overall balance of manpower, material resources, and financial power.

According to a survey made in Harbin City, under the 1980 budget, investments in capital construction projects (including bank loans in lieu of direct transfers from the state) amounted to 297.39 million yuan, a decline of 18.4 percent in comparison with 1979. However, self-raised capital construction investment funds (including self-raised funds of the province) were increased to 335.62 million yuan, an increase of 72.1 percent over 1979. In 1980, the city had over 60 channels of self-raised funds for capital construction--an increase of 29 channels over 1979. These 60 channels principally comprised the following eight categories: 1) Investments from departments in charge of the enterprises: 30.42 million yuan, or 13.8 percent of the total; 2) Investments from the city financial department: 25.02 million yuan, or 11.4 percent; 3) Investments from renovation and rebuilding funds: 45.42 million yuan, or 20.6 percent; 4) Investments from welfare funds: 15.03 million yuan, or 6.8 percent; 5) Investments from profit-retention funds: 37.12 million yuan, or 16.9 percent; 6) Investments from sinking funds of enterprises, 29.06 million yuan, or 13.3 percent; 7) Investments from other funds of enterprises (retentions on account of expansion of autonomous power, retentions from packing charges, and funds for overhauling): 11.54 million yuan, or 5.3 percent; and 8) Investments from other funds (unused balances of expenses, sundry receipts and so on): 26.03 million yuan, or 11.9 percent. Of the above-mentioned eight sources of self-raised funds, five belong to funds owned by the enterprises themselves, making up a total of 138.17 million yuan, or 62.9 percent of the self-raised funds.

It can thus be seen that self-raised construction funds consist of many items, come from many sources, and have drastically increased in amount. They directly affect the scale of construction. Despite the fact that in recent years the state budget's allocations to investments have been repeatedly cut down, the aggregate amount of investments actually made not only has not fallen but also has greatly increased. In 1982, this brought about the most vicious inflation of fixed assets investments in the history of the country.

## II

Confusion in the management of self-raised capital construction funds--this problem is a serious one.

1. If self-raised capital construction investments are too large, the state plan will become degenerated in form. The existing financial system requires that all self-raised funds for capital construction must be included in the state's capital construction plan and come under the control of targets issued from an upper level to a lower level. But in actual work, many localities, departments and enterprise units have disregarded the state's regulations and have enlarged the scale of their construction at will, thus making the plan exist in name only. For example, when compiling their plans, some units anticipate future income and designate yet unrealized receipts as the source of funds; some units, finding that their investments had surpassed the plan targets would skip over the people's bank and make the payments themselves; some other units, for the sake of undertaking more construction projects, would intentionally mark down the budget construction cost of the projects; and some units, trying to escape from financial supervision, would, in compiling the final accounts, purposely reduce the figures of appropriations for capital construction and of the actual

investment results, failing to show in the accounts real figures for the capital construction costs and thus in effect converting the plan-targets to an empty shell. By so doing, the real construction scale cannot be factually reflected and the plan becomes a mere scrap of paper.

2. Improper sources of self-raised capital construction funds. In general, self-raised funds are originally intended for some special purposes. Only after the special purposes have been served and there is still a balance left, should the balance be used in capital construction. Unfortunately, facts have shown that has not been the case. Indeed, a large number of funds should not have been used on capital construction. For example, funds for overhauling and funds for renovation and rebuilding by their nature consist of special funds for maintaining the simple reproduction of fixed assets; surplus funds of expenses of workers' unions, surplus funds of expenses for scientific research, surplus funds from the adjustment and distribution of income, and so forth, are all surplus funds of various kinds of expenses; receipts from fines and confiscation, and profits which must be 'reimbursed' to the state, are funds which should be remitted to the state. Originally, all these funds had their specially designated uses, but because their receipt and outlay have not been properly organized in accordance with the provisions of the state, they have frequently been used on capital construction.

3. Investing blindly and deviating from the designated direction. In a given period, capital construction investments of the state always embody some major tasks. These major tests indicate the direction of investment. Only in tightly holding to the direction of investment, making the part follow the whole and the localities obey the central authorities, and treating the whole country as one chessboard, is it possible to procure the best investment results. Unfortunately, certain localities, departments and enterprise units have committed the error of completely disregarding the direction of development. They use the self-raised funds on development of projects which concern only their own vital interests, undertaking capital construction in a blind manner and literally lavishing their funds on almost everything. According to statistics, it was found that in 1982, in the whole country there were 70,000 projects under construction each involving an investment of over 100,000 yuan. Of them, 50 percent were projects that had only started construction during the year. This is clear enough evidence of further extending the capital construction front. For the purpose of transforming our country's industrial structure, in the first 10 months of 1982, the state closed or shifted to other lines of production over 3,700 small enterprises known for their high energy-consuming capacity, inferior quality of their products, losses and deficits for a prolonged duration, engaging in duplicate or double production, and so forth. However, during the same period, over 3,800 small enterprise units were newly built and put into production. Of them, a great proportion consisted of so-called long-term projects undertaken by means of self-raised funds. In this way, the results obtained from a year's hard toil in readjusting the industrial structure were in effect offset by the emergence of these new enterprises.

4. A weak capital construction management system. First of all, this is shown in the confusion found in the checking and approval of the plans for self-raised funds. At present, projects with self-raised funds must go through



the checking and approval of the State Planning Commission and the State Economic Commission and also of the departments in charge at various levels. Some capital construction projects, because they cannot be included in the state plan, are labeled and approved with such headings as "technical trial projects," or "city maintenance projects," or "rebuilding projects." Some units just take the leadership's words as final and start construction at once even though the necessary capital construction plans are still lacking; in the case of some units, although the investment plan targets have been issued from above, loopholes may still be found in the amounts of funds available; and some localities do not bother to analyze or balance the funds arranged from the upper levels and generally give the self-raising of funds the nod of approval. In this way, it is naturally difficult to keep the scale of capital construction by means of self-raised funds under control and often times it has been found that as soon as a decree for capital construction within the budget has been received from the upper level, more capital construction plans, outside the scope of the budget, are submitted simultaneously to the authorities. In 1982, the investments comprehended in the whole national budget amounted to only 36.7 percent of all the capital construction investments actually made, while the proportion of investments made outside the budget was 63.3 percent of the whole. This proportion was the largest ever since the founding of the PRC. Moreover, although the state has promulgated decrees and control regulations governing the management of self-raised capital construction funds, yet concerning units which have surpassed in a big way the targets for self-raised funds, so far the state has taken no action to investigate or affix the economic and political responsibility. As a result, some of the units, secure in the knowledge of a strong backing, have undertaken an increasing number of self-raised projects, increasingly raised their targets, and continuously enlarged the scale of such projects.

5. Departure of self-raised funds from the supervision of the construction bank. This is due to a large portion of the self-raised funds failing to abide by the provision of the state that all such funds must be "deposited first in the construction bank and put to use afterwards" in accordance with the plan and the supervision procedure. At the same time, while the people's bank and the construction bank exist as separate entities, they do not divide the work between them, and generally fail to strictly and in a thorough manner carry out their designated tasks. This has resulted in many units not opening any accounts with the construction bank and a portion of the self-raised capital construction funds getting out of the control of the construction bank, with their owners doing what they like and freely expanding their scale of construction.

In addition, many construction companies are forever on the lookout for business and many have succeeded in attracting customers to their fold. But in reality some of the fixed assets investment projects are rather lucrative in nature and naturally in themselves offer inducement to these self-raised funds.

The existence of so many problems in the management of self-raised funds has brought rather serious consequences to capital construction work. First, it has led to too fast a growth rate in fixed assets. According to statistics compiled by relevant departments, in 1982 the growth rate of fixed assets investments was nearly 400 percent that of the national income and, of the entire amount of fixed assets investments, those not originally comprehended in the

budget far outnumbered the rest. This naturally has caused an abnormal and lopsided development among the industrial departments and a sharp rise in the rate of their accumulation funds. Second, the blind expansion in the scale of construction naturally violates the overall balance of material resources. On construction projects financed by self-raised funds, the state does not provide the construction materials. Thus, under the conditions of an imbalance in both materials and funds, the units themselves have to look for materials everywhere. They are obliged to resort to purchases at negotiated prices and to procurement of materials from distant places. The results mean a rise in construction cost, extension of the construction period, and lowering of the rate of jobs being completed and put in production. Third, the utilization of funds is scattered and dispersed and investment results are generally on the downturn. Following expansion of the financial power of the enterprises, huge sums of construction funds are in the hands of thousands of enterprise units. Employing various pretexts such as displaying and deploying the economic superiority of the localities, enlivening of the economic work, and so on, these enterprise units invest their funds almost everywhere and indulge in capital construction at will. Results: the emergence of many small plants; the bigger plants, not having sufficient work in their hands, are forced to stop production or to partly stop production.

### III

In order to strengthen the management of self-raised funds and strictly control the scale of capital construction, we recommend the following measures:

1. Firmly insisting on the unified control of self-raised capital construction funds. Self-raised funds, like the capital construction appropriations and loans of the state budget, belong to the category of capital construction funds of the state. Construction projects arranged for by self-raised funds constitute indivisible and important constituent parts of the capital construction of the state. By no means do they constitute "capital construction" existing independently and outside the entire capital construction plan of the state; nor are they a constituent part of the so-called "market economy." They should absolutely be put under the stringent control of the state's unified plan. This is determined by their special technical and economic features and their position in the national economy.

2. Formulating economic statutes governing capital construction. For a prolonged period, management of self-raised funds has been in confusion and the scale of construction has gone out of control. An important cause is the lack of a rigid statute governing them. Actual practice has clearly shown that without the compilation of an economic statute governing the sphere of capital construction, self-raised funds will still be like a bowl of loose sand.

3. Lining up the projects strictly in order of importance and urgency, clearly demarcating which should be first and which second, and concentrating forces to wage a battle of annihilation. The State Planning Commission should work with the State Economic Commission, departments in charge of finance, banks and material resources to arrange a review of all the projects financed by self-raised funds in a locality, determine which is most important and which is

next, and ensure that all the major construction projects be put under the control of the capital construction plan. All capital construction investments from self-raised funds of the various localities and departments which exceed the planned targets approved by the state should follow the stipulation of the State Council and pay, on the excess portion, an extra 30 percent of the charges for energy and communications construction sinking funds. Cases of altering the construction contents without prior approval and of expanding the scale of construction should be sternly dealt with.

4. Enforcing the economic responsibility system. All capital construction projects arranged from self-raised funds must be subject to a rigid system of penalties and awards. The leadership must be held strictly responsible, construction must be on a "contracted basis," and all provisions must be enforced to the letter.

5. Reforming the method "deposit-first-and-use-afterwards" applicable to self-raised construction funds and adopting a form of joint management handled by the departments concerned. The concrete method of procedure should be as follows: 1) When submitting to the State Planning Commission the plan for a project to be financed by self-raised funds, the applicant unit should also report to the financial departments for examination and verification of the self-raised funds as well as their sources; 2) upon receipt of a signed statement of consent and verification from the financial department, the State Planning Commission will issue to the applicant unit an initial notice of the arranged project plan and demand that the unit deposit in the construction bank the requisite self-raised funds; 3) upon receipt from the construction bank of verification of the deposit made, the State Planning Commission will issue to the construction unit a formal project plan; without any verification from the construction bank, the State Planning Commission will issue to the construction unit a formal project plan; without any verification from the construction bank, the State Planning Commission will not issue any formal project plan. In order to solve the problem of the acquisition of materials on the part of the various units, subject to the agreement through discussion of the above-mentioned four government units, and prior to the issuance of the formal project plan, they may be allowed, within the amount of the deposits made, to make advance arrangements for the purchase of the requisite materials and pay the charges for land requisition but they will not be allowed to start construction work. This will enable the construction units to procure the requisite materials according to plan and the way is also paved for the early start of construction work once the project plan has been formally approved. But if insufficient funds have been deposited, sufficient funds must be deposited before formal approval is given.

This procedure was tried out at a certain locality and was found to have been generally well received. One reason is because it greatly arouses the enthusiasm of the construction units for depositing their funds in the construction bank. Under the current conditions of urgency in the planned targets of self-raised funds, the construction units are more than willing to promptly

deposit their funds in the construction bank in the hope of being registered first and included in the construction plan. In turn, this is beneficial to the construction bank exercising control from beginning to end over the self-raised funds, supervising their rational use, absorbing idle funds in the market, and improving the utilization rate of funds. As for the income of certain units being irrational or their expenses not being in conformity with the regulations, the financial departments are in a position to promptly discover them and to rectify them accordingly, thus putting the plans of the State Planning Commission on a relatively firm and reliable foundation. This can also rectify the state of certain units in the past having plan targets but lacking the requisite funds or having the requisite funds and materials but unable to procure the plan targets. Moreover, this will effectively improve the investment results of the self-raised funds and keep the scale of capital construction under control.

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NATIONAL POLICY AND ISSUES

JOURNAL ON CHEN YEN 1945 FINANCIAL WORK SPEECH

HK211141 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 3, 20 Mar 84  
pp 9-12

[Article by Zhao Xiaomin [6392 2400 3046] of the Finance, Trade, and Goods Economic Research Institute of the Chinese Academy of Social Sciences: "A Scientific Summary of the Historical Experiences in Financial Work--Understanding in the Study of Comrade Chen Yun's Article 'How To Do a Good Job of Financial Work'"--written February 1984]

[Text]

I

The article "How To Do a Good Job of Financial Work," which is included in "Selected Works of Chen Yun (1926-1949)" is the speech made by Comrade Chen Yun on the discussions of the work of the financial bureau of the Shaanxi-Gansu-Ningxia border region held in February 1945. Characterized by Marxist foresight and knowledge, this speech resorted to vivid words to put forth and expound the principles, tasks, and working attitude that should be taken in carrying out financial work. During the war against Japanese aggression, Comrade Chen Yun was responsible for leading the financial and economic work in border regions. The northwest office of the CPC Central Committee set up the northwest financial and economic office in 1943. This office was responsible for unifiedly managing the financial and economic work in the Shaanxi-Gansu-Ningxia border region and the Shanxi-Suiyuan border region and comrades He Long and Chen Yun were respectively director and deputy director of this office. In the "Discussion on the financial work in the 8 years during the war against Japanese aggression," the border region financial bureau spoke highly of the leading work of these two comrades. It pointed out: "The people in the border regions will always remember their contributions." "How to do a good job of financial work" represents a scientific summary by Comrade Chen Yun in summing up the experiences of the financial work in border regions at that time.

The development of the finance and economy during the war against Japanese aggression can be basically divided into three stages. The first stage was from 1937 to 1939. During this period, the border regional governments and armies had taken little from the people and consequently the latter had time to boost their strength. The second stage was from 1940 to 1942. This was the most difficult period for the liberated areas during the war against Japanese aggression. Because of brutal attack by the Japanese Army and encirclement by

the KMT, the economy of the liberated areas was in the most difficult situation, while the population in these areas had to shoulder heavier burdens. The third stage was from 1942 to 1945, which witnessed the efforts made by the liberated areas to overcome difficulties. At the end of 1942, Comrade Mao Zedong put forth the principle of "developing economy to ensure supply." Under the guidance of this principle, the army men and civilians in liberated areas launched a massive production campaign. Government, army, and schools set up a number of industrial, agricultural, and commercial undertakings so as to attain self-sufficiency. At the same time, peasants were organized to develop agricultural production. In the spring of 1945, the financial and economic situation in border regions was improved considerably to form a material foundation for wresting the final victory in the war of resistance against Japanese aggression. This was the historical background to the speech by Comrade Chen Yun.

The finance of the liberated areas represented the supply for the living expenses and undertaking expenditures of the army men and staff who were fighting and working in their effort to resist the aggression; it also represented the supply for the expenditures in the war against the aggression. The financial departments in the Shaanxi-Gansu-Ningxia border region made considerable efforts with clear achievements in financial work but they were still in a passive condition. Therefore in his speech, Comrade Chen Yun said that financial work must be turned from being passive to taking the initiative so as to create a new situation. He analyzed profoundly the reasons for the passivity and put forth the methods for changing the situation.

Overcome blindness. The blindness in the financial work in border regions was mainly demonstrated in routine matters. Some comrades buried themselves in trifles. They did not acquaint themselves with the whole situation, did not grasp matters of importance, and did not consider things from the point of view of principle. As a result, they failed to carry out their work well and they lacked orientation. Comrade Chen Yun pointed out that in order to overcome a blindness in financial work, first it was imperative to acquaint ourselves with the whole situation and to have a pretty good idea of how to carry out financial work on the basis of financial principles. He said: "We have no right to speak and will not take the initiative as long as we do not know approximate figures of revenues and expenditures, do not understand major principles, do not know what is primary and what is secondary, and do not understand our own revenues and expenditures and others' strength." Second, we must be proficient in professional work, "it is imperative for those doing financial work to be determined to study their profession or else they will be bullied for a lifetime." "We will not take the initiative unless we have acquainted ourselves with situation."

Step up initiative. Comrade Chen Yun said: "Not enough proposals and opinions toward higher departments" means not enough initiative. In order to be able to display this initiative, it is imperative for financial departments to "get to the root of the matters" of financial revenues and expenditures and management.

Stick to principle. Difficulties were also a reason for the passivity in financial work at that time. Here the difficulties referred to certain big organs and old comrades that made it difficult to carry out work well. He

pointed out that the way out was to stick to principles. "Problems can be resolved as long as we are able to stick to principle and carry out work justly and rationally."

Comrade Chen Yun stressed that subjective reasons were also responsible for the passive situation in financial work in the Shaanxi-Gansu-Ningxia border region. He also said that of the above-mentioned three reasons, blindness was the main reason.

In this way, he grasped the principal contradiction that hindered financial work in creating a new situation.

What were the principles of the financial work in border regions? He put forth the following points:

"Production first, distribution second." This principle represents a comprehensive generalization and concretization of the principle of "developing economy to ensure supply" that was put forth by Comrade Mao Zedong. "Production first, distribution second" has a double connotation. On the one hand, it correctly handles the dialectical relations between production and distribution and between economy and finance. "Production first" means that production determines distribution, economy determines finance, and that without production there will be no distribution. "No financial difficulties can be resolved without an economic foundation and no abundant finance will be achieved without the development of economy."<sup>1</sup> "Distribution second" means that distribution to a certain extent counteracts production and finance counteracts economy. On the other hand, it is imperative to handle well the relations between production, distribution, and finance. That is to say, in solving the finance of border regions, we must mainly rely on developing production, tax revenues from the masses are secondary, and measures must be taken to gradually lighten the tax burden of the people in such regions. Comrade Mao Zedong said: "With regard to financial and economic matters, we must put 90 percent of our efforts into helping peasants promote production and put the remaining 10 percent into collecting taxes from them."<sup>2</sup>

"Revenues first, expenditures second." This is another principle in the financial work in border regions. Financial revenues and expenditures represent the unity of opposites. Revenues determine expenditures and the latter affect the former. Expenditures are possible only when there are revenues and revenues are needed because of the existence of expenditures. Finance will have a solid foundation and monetary undertakings and prices will become stable only when financial expenditures are arranged on the basis of revenues, with a certain surplus. In referring to the budget of the Shaanxi-Gansu-Ningxia border region

1. "Selected Works of Mao Zedong: The Question of Economy and Finance During the War of Resistance Against Japan," People's Publishing House, horizontal typesetting, 1966, Vol 3, p 846.
2. "Selected Works of Mao Zedong: "Launch Rent Reduction, Production, and Supporting the Government and Cherishing the People Campaign in Base Areas," Vol 3, p 866.

in 1945, Comrade Chen Yun said: "Finance may not rely on banks in issuing currency and on subsidies; the problem is that finance must strive to attain more revenues and with fewer expenditures."

"Solve problems but without waste." This is an important principle for financial expenditures. To "solve problems" means to ensure supply. This was the basic task in the financial work in liberated areas. But to ensure supply is conditional and this condition is "no wastage." "No wastage means saving money and using it properly. It means that money must be used when it is really needed and it can in no way be used arbitrarily." So it can be seen here that the advocacy of no wastage is not passive. It does not mean curtailing indispensable financial expenditures, nor does it mean avoiding using the money that has to be used or abandoning imperative work. It means to economize under the premise of guaranteeing needs or "solving problems," in an effort to achieve the highest efficiency in financial expenditures.

Comrade Chen Yun is an advocate of practicing strict economy. In his speech entitled "Financial Problems in Shaanxi-Gansu-Ningxia Border Region" in December 1944, he said: "In order to reserve strength in preparation for a counterattack, it is imperative to increase production, practice strict economy, decrease the expenditures that are unnecessary and advocate the good morality of treasuring public property."\* Here, practicing strict economy is regarded as an important measure for realizing the strategic goal in reserving strength for a counterattack.

"Concentrate and do not scatter strength." This principle accorded with centralized financial system in the Shaanxi-Gansu-Ningxia border region. This border region was poor economically, coupled with a weak material foundation and weak financial strength. Therefore, these aspects had to be centralized and used unifiedly so as to meet the needs in carrying out the war of resistance against Japan. Consequently, the method of "unified revenues and expenditures as the main and self-sufficiency as the supplement" was introduced in 1942. In his speech "How To Do a Good Job of Financial Work," Comrade Chen Yun said: "We must base ourselves in a long-range policy, concentrate strength, and retain certain reserves to meet urgent needs." It must be pointed out that the financial centralization or "unified revenues and expenditures" referred to a liberated area and taken as a whole various liberated areas were introducing the principle of "centralized leadership and scattered management."

Unanimity of view through consultation between suppliers and consumers. Chen Yun said: "In the relations between revenues and expenditures, organs, army units, and schools are opposites of financial departments. The former are the consumers that wish to have more for their expenditures while the latter are the suppliers that usually wish to be able to supply less because of limited financial strength. Therefore this contradiction between the two sides can only "be resolved through the method of democratic consultation."

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\* "Selected Works of Chen Yun (1926-1949): The Financial Problems in the Shaanxi-Gansu-Ningxia Border Region," People's Publishing House, 1984 Edition, pp 206-207.



"Key points in solving problems." To grasp key points represents an important method of work. Comrade Chen Yun regarded the viewpoint of "key points in solving problems" as a principle in financial expenditures and he affirmed that "the army is the first to have its needs guaranteed, schools are second, and organs are third." This key point was defined on the basis of the specific conditions at that time. With regard to the items of expenditures, he put forth the principle of giving consideration to people's lives first and then to construction. He said: "Meals and grass fodder are most important and clothes are secondary," "they are followed by curing disease, office business, and cultural recreation" and last is investment to "help promote public and private production."

Comrade Chen Yun was of the opinion that for border regional financial departments, it was imperative, in changing the passive situation, to form revolutionary and responsible attitudes toward work. In financial departments, "every comrade, bureau director, section director, and section member must have the attitude of "shopkeepers" and "masters of the country" and not the "attitude of cashiers." "Strict checking" is required for financial revenues and expenditures and it is imperative to carry out "meticulous calculation" with the spirit of "picking out bones from beancurd."

It can be seen from the above-mentioned expositions that although this speech by Comrade Chen Yun is short and simple in wording, it is very rich in content, coupled with profound explanations. This speech displayed an active role in stepping up financial building in border regions, guaranteeing the supply of goods for the revolutionary war, and winning victory in the war of resistance against Japan. It also made contributions in the formation and development of Mao Zedong financial and economic thought.

## II

"How To Do a Good Job of Financial Work" was a speech made by Comrade Chen Yun 39 years ago. But the essentials of financial questions expounded in his speech still have very important and practical significance today.

First, the financial departments in China today are facing the task of how to change passivity to initiative in this new historical period of the implementation of the socialist modernization program and of how to create a new situation in financial work. In order to carry out the strategic task put forth by the 12th CPC National Congress, the financial departments also have the problem of how first of all to acquaint themselves with "major principles and policies" for the financial work in the new period. And these principles and policies include: adapt to the general strategy of the development of the national economy and define the strategic goals and strategic measures for the development of financial departments; coordinate with the reform of the whole national economy and reform the financial system and tax system so as to form a socialist financial system and tax system with Chinese features; and shift financial work onto the road having improving economic effect as the center and constantly improve the efficiency of financial redistribution and work in a down-to-earth way so as to be able to basically improve state finance. It is also imperative for financial departments to be proficient professionally, to be aware of the financial situation, and to display initiative.

Second, to study the exposition by Comrade Chen Yun of the principle of production first and distribution second will help us to gain overall understanding and to handle the relations between economy and finance. Seen from the history of our financial work, they have appeared two incorrect tendencies in handling the relations between economy and finance. One is the viewpoint of giving consideration solely to finance. This tendency existed during the war against Japanese aggression and during a certain period following the founding of the PRC. Practice proved that with this method we can neither resolve financial problems nor develop economy well. The other tendency is the viewpoint of one-sidedly giving consideration to production or one-sidedly paying attention to "ensuring supply." This tendency appeared during the period of the "great leap forward" from 1958 to 1960 and the period of making premature economic advance in 1978. These tendencies are mainly shown in the following aspects: the financial departments "ensure supply" of whatever amounts were needed in production and construction and whenever it was needed; they only paid attention to providing services, without paying attention to how to control their services; they only paid attention to investments and did not pay attention to output and only paid attention to speed to the neglect of efficiency. As a result, "leftist" premature economic advance was once rampant. In carrying out the financial work in the new period, it is imperative to oppose the viewpoint of solely paying attention to finance and to oppose the viewpoints of one-sidedly paying attention to production or one-sidedly "ensuring supply." It is imperative to follow the principle of "production first, distribution second" that was mentioned by Comrade Chen Yun, to dialectically handle the relations between economy and finance, to conscientiously study the ways of making money and collecting and using it, to work hard to overcome the difficulties that have been caused by shortage of construction capital, and to improve microeconomic efficiency and macroeconomic efficiency so as to be able to promote social production forces.

Third, Comrade Chen Yun's exposition concerning revenues first and expenditures second, more revenues and less expenditures, retaining reserves and stabilizing finance and monetary undertakings is of important significance for basically improving the state financial situation. Since 1979, capital construction has been comparatively excessive and the various expenditures for improving people's living standards also have grown too quickly because of improper arrangements in accumulation and consumption. And because economic readjustment is being carried out, China has experienced deficits for several successive years. Currency has been issued excessively while prices are not stable enough. In order to basically improve the state financial situation, measures must be taken as the first step to basically balance financial revenues and expenditures, with a slight deficit; the second step is to totally balance financial revenues and expenditures and with a small surplus, while during the third step, we must be able to realize a solid financial balance, gradually increase reserves, and consequently create conditions and accumulate strength so as to provide a financial guarantee for the economic development in the 1990's. In order to balance revenues and expenditures, it is imperative, on the one hand, to put revenues in the first place and expenditures in the second and to open up financial sources so as to increase revenues through developing production and improving economic effects, coupled with saving expenditures. On the other hand, it is also imperative to follow the principle of "more revenues and less expenditures." It is only when we are able to realize more revenues with less

expenditures that we can eliminate deficits, balance revenues and expenditures, stabilize finance, banking, and prices, and increase reserve strength so as to deal with extraordinary events such as war and calamities. With more revenues and less expenditures, we will be able to effectively prevent economic construction from surpassing state financial strength and to guarantee that the whole economy will be able to develop stably and healthily. Of course, the extent of more revenues and less expenditures must be proper; otherwise there will emerge conservatism, to affect economic development.

Fourth, compared with the finance of the liberated areas during the war against Japanese aggression, the state budget of China today is much larger. Items of expenditure have become much more complicated and financial burdens have become more complicated. But in spite of this achievement, it is still necessary to implement the principle of "ensuring needs" or "solving problems with key points." According to the spirit of the 12th CPC National Congress, the strategic key in the economic and social development in China today includes developing agriculture, energy, transportation, and science and education. These aspects also represent the key point for financial revenues and expenditures. It is also imperative to guarantee the capital that is needed by the existing enterprises in carrying out technological reform and developing the raw materials industry. To concentrate the necessary capital and ensure the state key construction items that are very important to the national economy and people's life represents an important strategic principle and not an expedient measure of the CPC and state. This principle represents objective needs and a materialistic guarantee for implementing the principle of planned economy as the main and regulation by market mechanism as the supplement, as well as an important measure in helping various places and enterprises in decreasing their blindness in carrying out production and duplicated construction so that they will be able to use rationally the limited construction capital and to improve investment efficiency in capital construction. Of course, to stress the importance of concentrating capital to ensure state key construction does in no way mean to neglect the ordinary needs of localities and enterprises. State key construction projects must accord with state financial strength or else they will cause losses.

Fifth, it is imperative to foster the revolutionary and responsible attitude of "shopkeepers" and such an attitude is also practical for financial departments. The economic and financial situations in China have been gradually improved over the past few years. But state finance will continue to have a hard time in the next few years; the contradiction between the need for capital of various construction projects and the development of undertakings and financial possibilities remains very sharp and this contradiction must be properly solved. Financial departments are also sensitive and comprehensive economic departments and they have the obligation to reflect situations to higher departments in time and to put forth their proposals to higher leadership for reference in making decisions. It is imperative, as Comrade Chen Yun pointed out, to foster the "attitude of 'shopkeepers' and masters of the state," to proceed from the interests of the CPC and country, to "speak the truth," and to reflect situations as they are. It is also imperative, as pointed out by Comrade Chen Yun, to "strictly check" the budgeted revenues and expenditures of various regions, departments, and units and to "pick out bones from beancurd" (if the "bones" exist, it means there are problems). This measure "formally seems to be seeking trouble, but it is a responsible attitude. It is an attitude of being responsible to the revolution."

In short, we must conscientiously study this speech by Comrade Chen Yun and use the principles mentioned in his speech in solving concrete questions today. Once we are able to do this, our financial work will be greatly improved.

## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU DISCUSSES PRODUCT TAX SYSTEM

HK211110 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 3, 20 Mar 84  
pp 30-33, 49

[Article by Guo Yuanxi [6753 0337 2522] of the Economic Research Institute of the Sichuan Academy of Social Sciences: "Product Tax"]

[Text] Tax payment as a substitution for profit delivery is an important part of the economic reform in China. It seems that this work will mainly be carried out in three stages. In the first stage, the profit delivery system of large and medium-size state enterprises will be changed to the system by which these enterprises will have to pay a tax consisting of 55 percent of their profits. The enterprises and management departments with considerable after-tax profits are in a position to retain these profits or use them to pay regulating tax to the state; small state enterprises will pay an overquota accumulation tax. In the second stage, the tax system that is composed mainly of a product tax and commercial business tax will be used to replace the tax system with income tax as the main (including increased output value tax, urban construction tax, land property tax, and resources tax). In the third stage, central and local financial revenues will be shared by central and local taxes on the basis of different taxes, and after-tax profits will be retained by the enterprises themselves, which are totally responsible for both profits and losses. At present, the work of the first stage is being carried out quite smoothly and the work of the second stage has been put on the agenda. Therefore, it is imperative to really understand the nature of product tax, the significance of the introduction of the tax system with product tax as the main, and the major related principles that have to be relied on.

#### I

What is a product tax? Simply, it means that industrial enterprises have to pay a tax to the state for the sales and income of their products according to certain proportions and on the basis of the varieties of products they produce.

An obvious feature of product tax is that tax items and tax rate are based on different categories of products. Although industrial and commercial tax is also realized in the form of different kinds of industrial products, the tax items and rate are defined on the basis of departments. In industrial and

commercial tax, tax items and rate are roughly defined. Therefore, with this tax system, it is difficult to handle well the relations between different products, and the enterprises producing various products are levied with a tax on the basis of different tax rates. Product tax items are defined more meticulously and therefore the tax rate is more rational. In addition, product tax is based on the price of the products, that is, the tax rate is defined on the basis of different prices and profits. Therefore, this tax system is in a position to display its lever role in regulating the distribution of social labor force among different products.

The target of product tax is the income that is realized through sales of products. When enterprises have sold their products as commodities and realized income, the state will, through product tax, include part of this income in the budget, no matter whether the enterprises producing the products have made profits or losses. This method will not only ensure the sources of state financial revenues, but will also encourage the advanced and push ahead the backward, because all enterprises that are producing basically the same products are taxed on the basis of unified tax rate.

## II

The first step in substituting tax payments for profit delivery is the tax system with income tax as the main. This is a step in defining the relations between the state and enterprises and guaranteeing state revenues and a step in comparison with the profit retention system. But there are also the following shortcomings in income tax:

1. When enterprises have paid tax that makes up 55 percent of their profits, the foundation and proportion of after-tax profit retention will be problems, while the contradictions in basic figures and proportion between tax departments and enterprises are still to be resolved. The nature of the coexistence between tax and profits will represent the retention of all profits. Therefore, under this condition, enterprises will resort to various pretexts in their bid to continue to rely on the state, and force the state to make concessions.
2. Income tax represents a form of tax that is paid by enterprises on the basis of the profits they make. It means that enterprises will pay tax only when there are profits and the amount of tax paid depends on the amount of profits. Therefore, the introduction of the tax system with income tax as the main can only affect state revenues, enterprise collective welfare, and workers bonus funds; it will not affect workers basic wages. Some enterprises have not been able to pay income tax to the state for a long period because of losses, and some other enterprises do not have prospects for profits at all; but the workers of such enterprises still have their wages. Under this condition, it is impossible for these enterprises to really become responsible for profits and losses.
3. Income tax is calculated on the basis of the profits of enterprises after deductions for production costs. In their bid to avoid tax, enterprises are not willing to lower their production costs. On the contrary, they will include in production costs expenditures that should not be included so as to decrease profits and pay less tax to the state.

4. Income is based on profits, without consideration for varieties of products. Therefore, income tax is not in a position to regulate the enterprises that are producing different products; nor can it flexibly use the economic lever of tax to regulate the production of the products that are in excessive or short supply.

5. At present, some enterprises have made considerable profits because of irrational prices. This problem can in no way be resolved through the introduction of income tax. Furthermore, after-tax profit retention is based on enterprise subordinate relations. Therefore, under this condition, it is difficult for departments and regions to form a relationship of economic interest with enterprises. Consequently, the former can in no way correctly carry out their function in economic management.

In my opinion, there are the following advantages to reforming the present tax system and establishing the tax system with product tax as the main:

1. It is in the interest of promoting competition among enterprises and development of technology. The product tax for the same products is based on unified tax rate. The tax rate for different products may be readjusted so that enterprises will be able to attain basically the same social average profit rate. In this way, enterprises throughout society will be able to carry out competition on the basis of basically the same conditions. And this situation will encourage the advanced, push ahead the backward, and compel enterprises to take measures to promote technology, improve management, and consequently improve their quality.

2. It is in the interest of enterprises to become really responsible for profits and losses; at the same time, backward enterprises will be eliminated. The key difference between product tax and income tax is that income tax is based on the profits made by enterprises, while product tax is based on the income of enterprises from sales of their products. Enterprise production activities will consequently be followed by tax even if enterprises have suffered losses from their activities. That is, even if the income of enterprises from sales of their products is not enough to cover production costs, they still have to pay tax. In this way, enterprises will become the first to bear the direct effect of the losses and consequently they will take the road of being responsible for profits and losses. It is only natural that with such responsibility, enterprises will be able to make progress while the backward cannot but be eliminated.

3. It is in the interest of resorting to tax levers and proceeding from social demands for timely readjustment of the proportion of the distribution of social labor force among different products. When there is an oversupply of certain products in market and they tend to go unsold, the state can resort to economic forecasts and properly increase the tax rates of these products to restrict related enterprises in producing oversupplied products. On the contrary, when certain products are in short supply, the state may resort to economic forecasts to decrease the tax rates of these products so as to encourage producers to promote the production of such products in a big way. With regard to the production of new products that are urgently needed by the state or demanded by

key construction projects that are closely related to the national economy and people's life, during a certain period the state may exempt such products from taxation so as to promote the production of such goods. These measures represent a further step in resorting to economic levers rather than administrative orders in regulating production. They are not only in the interest of promoting the rationalization of a social product structure but also are in a position to avoid repetitious construction and blind production. Consequently, they will be able to carry out their production from an overall point of interest.

4. It will enable departments and regions to promote their relations of direct economic interest with enterprises, and free enterprises from the bondage of departments and regions. With the introduction of an income tax, what the state pays attention to are the products and not the enterprises themselves. The enterprises that have been able to make large profits will be treated with increased respect by departments and regions. Therefore, it is inevitable that departments and localities will treat enterprises in different ways according to their business results. When the state levies a product tax on enterprises, it pays attention to the products and not the enterprises which, because of the product tax, will no longer have direct economic relations with departments and localities. All the enterprises that have produced the same products will pay tax according to a unified rate, no matter to which departments and regions these enterprises belonged. Under this condition, certain indigenous policies that have been defined by certain departments and regions to protect backward enterprises will be smashed. Consequently, the departments that have a governmental function and the regions which are representing government management organs will carry out their work and make arrangements by proceeding from the interest of promoting the development of commodity production and exchange and the interest of the entire society.

5. The implementation of tax reform with the introduction of a product tax as the main will to a certain extent solve the problems of differences in profits and losses of different trades and different enterprises that are producing different products. These differences are caused by irrational prices. This situation will provide a condition for reforming price in an overall manner in the future.

In short, the implementation of tax reform with the introduction of product tax as the main represents a major improvement in reforming tax system which is now being carried out. This reform, through the above-mentioned aspects, can resolve the problems of the existing economic system. And what is more important, it represents pioneering work in reforming the economic system now being carried out, and consequently it will create conditions and a foundation for reforming the whole economic system in various departments.

### III

The introduction of product tax is based in the specific conditions in China at the present stage. Therefore, in introducing this tax, it is imperative to abide by the following principles:

1. It is necessary to flexibly use various economic levers to regulate the distribution of social labor force among various products. The tax system with product tax as the main must fully display its role in regulating various economic aspects. Through overall prediction of market situations, the state may intentionally float the tax rates of different products so as to guide enterprise production activities and awards and encourage or restrict the production of certain products. Proceeding from this principle, the state must announce in advance the changes of product tax rates so as to preregulate the economy. This measure is imperative to overcoming repetitious construction and blind production and avoiding waste in social wealth. In this way, enterprises will have certain aims in working out their plans and arranging production. In order to be able to flexibly use tax levers and fully display the preregulating role of the product tax toward the economy, it is also imperative to carry out a series of related reforms. The most important reform is to reform the state planning system so that this system will be able to coordinate closely with various economic levers. It is also imperative to have useful information and accurate forecasts.

2. In the situation in which the existing economic system cannot be readjusted in a big way, it is imperative to make use of the advantages of product tax which are based on product price to particularly regulate the uneven profits and losses that are caused by irrational prices. Therefore, the tax rates of various products must be defined mainly on the basis whether the average profit rate of these products is higher or lower than the average profit rate of various products across the country. In general, in order to enable all related enterprises carry out competition on the same basis, products with an average profit rate higher than the national average will be taxed at higher rates; the products with an average profit rate lower than the national average will be taxed at a lower rate, or will even be exempt from the tax. Under this principle, I believe that it is not enough to experiment in this tax system with product tax as the main, but instead in several individual products that have been selected from trades with the necessary conditions. It is also imperative to carry out comprehensive experiments in product structure so as to gain experience in regulating through product tax the irrational production among various products. Therefore, in addition to selecting certain products in certain trades for the experiment of the tax system with product tax as the main, some regions, such as the city of Chongqing, which is carrying out an experiment to comprehensively reform the economic system, can be "closed" to a certain extent so as to turn it into a "society." This means that the tax system with product tax as the main will be an experiment in all the products in the city so as to attain the necessary experience for popularizing the tax system across the country.

3. It is necessary to consider the situation across the country in which the development of productive forces is not balanced and economic development in various regions differs very much. It is not necessary to define a national unified rate for product tax. But it is feasible that the same products across the country have the same tax rate on the basis of different arrangements. In this vast country of ours, the level of productive forces and economic development of various regions are very different from each other because of various natural and historical factors. Therefore, when the product tax, with a unified rate, is introduced across the country, it may be advantageous to



some regions but disadvantageous to some other regions. Specifically, this tax system is disadvantageous to the economically backward regions in south-west China and northwest China and some border areas where minority nationality people are living. These regions have worked hard over the past few years to improve technology and management; but they still are no match for some old industrial cities along rivers and coastlines. Therefore, under this condition, it is really difficult to introduce the product tax with a unified rate across the country. Consequently, it is considered, under the premise that tax items and tax rates are defined and arranged in unity across the country during a certain period and that different situations are treated in different ways, to divide into three categories on a regional basis those products that cannot but be produced in various places across the country. The tax rate of the same products in the regions that belong to different categories may also be divided into three categories. For example, advanced coastal regions can be grouped into the first category; the vast areas of medium advanced regions, such as Sichuan, Hubei, and Shaanxi, can be grouped into the second category, while underdeveloped regions that include Yunnan, Guangxi, Guizhou, Qinghai, Nei Monggol, Xinjiang, and Xizang, where minority nationality people are living, can be regarded as belonging to the third category. The tax rate of certain products can be defined on the basis of the average social profit rate of the regions of these three categories. I think this is practical. This measure in no way means restricting the advanced but is aimed at avoiding losses for a great number of the developing enterprises. What is more important, this practice will help industry in remote areas to develop rapidly, encourage the advanced industry in coastal areas to expand rapidly into remote areas, and enable the production of products that can be carried out in remote areas to be carried out there, or enable the related factories set up subsidiaries in remote areas, with all their product tax being based on local rates. Of course, this method is transitional, because after a certain period, it will be necessary, on the basis of different goods, to gradually reduce the differences in tax rates of the same products from different regional categories, until at last the categories are abolished and a national unified tax rate is introduced.

4. It is a common task in all forms of taxation to rationally distribute interest among the state, enterprises, and workers. In introducing the tax system with product tax as the main, it is first necessary for the product tax itself to handle this distribution well. Following the introduction of this tax system, the state must, through this tax, grasp the main part of accumulation so as to guarantee that state revenues will be able to grow steadily. But any taxation in no way means concentrating all capital in the hands of the state and that enterprises will have no capital at all. If this should happen, it means killing the hen to get the eggs, and in this way, there will be no way for enterprises to survive. Since product tax is the key in the second step of tax reform, it has a very important role in correctly handling the interest between the state, enterprise and workers. According to this principle, and considering that under the existing system many enterprises have not been able even to maintain simple reproduction and are debt-ridden; that modern enterprises built after the 1970's are few; that the difference between these two categories of enterprises is very big; and that we still do not have enough experience in product tax; it is, therefore, impractical to advocate the slogan of encouraging the advanced and eliminating the backward and to introduce

product tax with the same rate. Under the present conditions, the introduction of the tax system with product tax as the main can be carried out in two stages. In the first stage, the product tax rate is defined on the basis of the average level or under this level, so that during a certain period, most enterprises will be able to carry out production without having to rely on the state, and they will have the ability to carry out reforms and make developments by relying on their own effort. The state has the right, through other methods, to take a portion of the excessive profits of enterprises. In fact, it does not matter much for advanced enterprises to retain a certain amount because it is a good thing for enterprises to use their retention in technological reform according to state arrangements. At this stage, an event in which a great number of enterprises go bankrupt can be avoided, which would otherwise cause many difficulties in the development of our economy. Only a few enterprises which are really backward and have no prospects will be eliminated. Our final aim is to define a product tax rate above the average level. We must also understand that it is a natural trend in historical development to encourage the advanced and eliminate the backward.

5. The introduction of the tax system with product tax as the main represents a grander systematic project. With this tax system, it is imperative to take product tax as the main, to consider in an overall way the reform of the whole tax system, and fully display the roles of the various works in reforming tax. When we said that the product tax has the above-mentioned advantages, we do not mean that it has no limitations. Product tax represents an important measure for the state in accumulating capital, but it is not the only source of capital. Therefore, in establishing a product tax we can in no way hope that through this tax alone the state will be able to take all that it needs. Product tax can neither solve all problems in regulating the economy nor solve all problems in financial accumulation. If too much is taken by product tax, the function of other tax forms will be weakened. For example, under the situation in which product price and tax rate are unified, the enterprises that are producing the same types of products still will have uneven profits and losses because of different resources and equipment. This problem can in no way be resolved by relying solely on product tax. Product tax must be supplemented with other forms of taxation, such as fixed assets tax, resources tax, regulating tax, and income tax. Therefore, when we are establishing a product tax, we must leave room for other taxes so that by resorting to various taxes, we will be able to resolve the various problems that may arise in the development of the economy. Consequently, the introduction of a product tax must be coordinated with the establishment of other taxes. In this way, our tax system will be able to really display its role in a socialist economy.

In introducing the tax system with product tax as the main, the above-mentioned principles must be comprehensively considered. The key question is how to rationally define the tax rate, which must be considered in an overall way, from the point of distribution and redistribution of the national revenues of the whole society. Each tax rate has its own best and most proper level. It is not easy to determine this level. Therefore, it is imperative that we conscientiously carry out study and investigations, grasp various historical and present reference materials, and repetitiously carry out forecasting.

## ECONOMIC PLANNING

### JOURNAL ON COMPENSATION IN FIXED ASSETS COST

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20 Mar 84 pp 69-71

[Article by Yang Runlin [2799 3387 7207]: "Views on the Reform of Reasonable Compensation in Fixed Assets Costs"]

[Text] I. Existing Problems Concerning Compensation in Fixed Assets Cost

Fixed assets of industrial and communications enterprises are the products of capital construction departments. According to the regulations of the existing system, computation of the actual cost of capital construction projects is made on the basis of the actual amount of funds spent, and the production units to whom the properties are transferred for use from capital construction should enter this actual cost in their books. Over the past 20 years, capital construction cost has steadily climbed upward. In particular, under the conditions of the scale of construction being out of control and imbalances in manpower, material resources, and financial power, many units have spent money lavishly and purchased construction materials at high prices. This, coupled with the random addition of sundry expenses, has made the cost of construction unreasonably skyrocket and naturally the cost value of the assets has likewise risen just as a boat goes up when the river rises. In turn, the burden of depreciation charges has also unreasonably increased. For example, take the case of a lorry of the Liberation brand delivered from Changchun to Yinchuan. The sale price fixed by the Yinchuan Resources Bureau is 15,000 yuan which includes the transportation cost and other charges. However, several years earlier, when the supply of lorries was limited and lorries frequently changed hands at successively stepped-up prices, the price of a Liberation truck went up to 25,000 yuan. This figure was what an enterprise unit would enter in the books as the value of this particular fixed assets. Depreciation charges were made on this basis and as a result of this high acquisition cost, the profits to the state were reduced. By the time the lorry was treated as having become obsolete or if a change in cost valuation was made, the amount of the surplus depreciation charges made would be 10,000 yuan and according to the current regulations, 30 percent of this amount, or 3,000 yuan, should be delivered to the state. Thus, in effect, this is tantamount to the state giving a subsidy of 7,000 yuan to the unit concerned as a bonus for having done a good

job in the lavish use of construction funds. This method of compensation is obviously unreasonable. So far as national finance is concerned, it is a sort of invisible subsidy or compensation outlay.

Another problem is: according to the existing system, capital construction expenses are divided into three parts, namely, the property (its value) itself delivered to the user-unit, investment outlay checked and written off, another outlay checked and written off. The latter two portions of the construction cost having been checked and written off, the criterion of whether or not the relevant investments have been reimbursed to the state depends on an accounting of the remittances of profits to the state. For example, if during the construction period a certain enterprise unit spends a total sum of 1 million yuan on investment outlay and other outlay which has been duly checked and written off, and, if in the next 3 years its profit remittances to the state have amounted to 1.2 million yuan, then in comparison the 1 million yuan of investment made which has already been checked and written off may be said to have been fully repaid or reimbursed (not counting other factors). Such a method of comparative analysis deviates from regular accounting supervisory practices. In actual practice, investment outlay expended, checked, and written off can easily be forgotten by people. This is disadvantageous to making a full compensation or reimbursement of the cost of construction. In particular, in the case of enterprise units which retain a portion of the profits on a percentage basis, before full compensation has been made on the total construction cost, the portion of profits retained by the enterprise necessarily includes a part of the construction cost outlay not yet compensated. Thus, in essence, it is tantamount to the state apportioning funds to the enterprise. Indeed, it also has the nature of encouraging lavish spending since of necessity many expense items in the cost outlay which must be checked and written off belong to the category of loss expenses.

## II. Cost Price of Fixed Assets

Planning of the prices of capital construction products should include provision for profits and taxes (to facilitate discussions on the topic of this article, we shall refrain from discussing here profits and taxes). Marx worked out the cost price as  $C$  plus  $V$ . Commodity (value equal to cost price plus surplus value. Cost price "is determined by the average expended cost price in the production of a certain commodity by the production department as a whole under the average conditions of capital."<sup>1</sup> But in actual economic life, the value of fixed assets is calculated from the individual cost price (not counting the  $M$  factor). As a result, the more a capital construction unit lavishes on a project, the larger is the construction cost and the higher is the value of the fixed assets it delivers to the state. In theory, this is erroneous and in practice it is also harmful.

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1. Marx: "Das Kapital," People's Publishing House, 1975 Edition, Vol 3, p 722.

Among the products of capital construction, buildings possess a unitary nature, because of the immovable character of land; hence, the price factor cannot be determined on a unified basis for the country as a whole. Also, on account of the principle of suiting measures to local conditions, it is difficult to achieve any regional uniformity in price. This thus makes it difficult to determine the social cost price of fixed assets, but this is by no means an amount that cannot be measured. How do we calculate this? I think:

1. In the case of independent building and/or installation projects, the price differential of materials should be determined in accordance with the budget for the construction chart compiled on the basis of estimate tables and standards of rate charges prepared by the units in the localities; expenses incurred in across-the-country purchases and purchases at high prices should not be considered.
2. In the case of new building or enlarged building projects under a composite plan (including various expenses such as training expenses and land requisition charges), determination should be made in accordance with the estimates made by the planning department or in accordance with the first revised estimates upon revision of the construction chart. All subsequent additional estimates, with the exception of big and important charges made in planning, should not be considered.
3. In the case of simple equipment purchases, cost computation should be made on the basis of the prices charged by the departments supplying the materials in the localities plus the transport and sundry charges (one time only). In the case of direct imports from outside localities, computation is made according to the ex-factory price fixed by the state plus the one time only rational transport and sundry charges. We should rule out all excess payments incurred on account of buying from faraway places, or from repetitive change of hands in buying, or from purchases at high prices.

Prices of non-standardized equipment should be computed on the basis of the uniformly stipulated charges for processing and prices stipulated by the departments in charge.

Strict compliance with the above-mentioned three principles in computation will make it possible to exclude the extra expenses due to prolonging the construction period--expenses incurred in administration, holding up of construction work, maintenance, repetitive repairs, repetitive training work, irrational capital construction operation and management methods such as purchases from faraway places, purchases at high cost, duplicate purchases, wrong purchases, depreciation losses on account of stock-piling of materials in warehouses, high land requisition charges, and sundry losses, wastes and extravagances. This makes it possible to obtain a relatively correct social cost price for fixed assets which meets with the approval of the finance department and bank responsible for checking, inspecting and/or taking over of the completed jobs.

### III. Views on Reasonable and Full Compensation in Fixed Assets Cost

In adopting the method of making full compensation on the basis of using the above-mentioned social cost price in computation of the fixed assets value, if it is found that the social cost price differs from the individual cost price, then the most basic method is to strengthen capital construction management and shorten the construction period so as to lower the construction cost in order to enable the individual cost price of each and every fixed asset to become lower than, or to approximate, the social cost price. In reality, we may, under different conditions, handle the situation in accordance with the following principles:

1. Concerning state investment projects, when the individual cost price is higher than the social cost price, the excess portion is treated as awaited state investment, in the nature of a deferred asset. Awaited state investment is entered into the cost account by installments and profits derived therefrom are remitted in full to the state and there should not be any self-retained portion for the enterprise unit concerned. Its economic nature should still belong to C.

Referring to the above example cited concerning the lorry purchase, 15,000 yuan should be entered into the fixed asset account whereas 10,000 yuan should be entered into the awaited state investment account. When the lorry is considered obsolete and designated for the scrap heap, the depreciation reserve of 15,000 yuan should be ample to meet the replacement cost, whereas concerning the remaining 10,000 yuan lavishly spent in the course of capital construction, the enterprise concerned should be responsible for it and accordingly it should be fully reimbursed from the production cost and remitted to the state. In this way, the state's investment of 25,000 yuan is fully compensated while the unit concerned bears the economic burden for the remaining 10,000 yuan lavishly spent.

2. Concerning self-raised investment projects of departments and enterprises, in the case of the example cited above, 15,000 yuan should be entered into the fixed asset account. The portion of the individual cost in excess of the social cost, that is, 10,000 yuan, is not entered into any so-called deferred asset account but is directly reimbursed from self-raised funds. The reason is funds lavishly expended by an enterprise unit should be reimbursed by the unit itself, and cannot be compensated or reimbursed by means of the method of setting aside depreciation charges or the method of charging the lavishly expended investments funds in the production cost.

### IV. Anticipated Economic Results After Reform of the Method of Compensation in Fixed Assets Cost

Implementation of the above-mentioned reform can bring about the following anticipated economic results:

1. Beneficial to shortening the construction period and lowering the construction cost. Since losses incurred in construction cost because of prolonging the construction period must be eventually retrieved or made good from the

production cost and be reimbursed to the state, this necessarily will increase the cost outlay and the enterprise unit must redouble its efforts to lower its production cost in order to compensate this extra outlay, otherwise the enterprise will be held responsible for failure to fulfill the major economic target and the profit plan. Interest considerations will thus compel the enterprise, in the course of capital construction, to calculate meticulously from the very beginning in order to shorten the construction period and lower the construction cost and thereby to lower the production cost and expenses after the project is in production. Viewed from another angle, in the case of enterprises which have lowered the construction cost and whose individual cost price is lower than the social cost price, they are still entitled to record the value of their fixed assets on the basis of the social cost price and thus will result in making and retaining less depreciation charges. This demonstrates how the economic responsibility system clearly asserts the principle of being fair and just in making awards and penalties.

2. Beneficial to the state in increasing its revenues and practicing economy. If it is at all possible to attain the objective that the individual cost price of all capital construction projects can approach, or be even lower than, the social cost price, then the capital construction results will be greatly improved, and so far as financial expenditures are concerned this means effecting savings both absolutely (concerning the individual project) and relatively (under the premise of making no reduction in the gross scale of investment but undertaking more projects). On the part of the production enterprise units, elimination of the phenomenon or practice of converting profits into depreciation charges for retention by the enterprise units will directly increase the financial revenues of the state and bring about the formation of normal and proper distribution relations of the national income.

3. Beneficial to preventing the state of misery and joy being unequally apportioned. At present, in old enterprise units which for many years have not undertaken capital construction work, their fixed assets are in a poor technical condition and the level of their equipment is low. They have deeply felt a sore need for funds for purposes of rebuilding. On the other hand, in the case of enterprises which in the past 15 years have undertaken capital construction jobs, particularly new enterprises and plants, their equipment is in a good technical condition. Moreover, because of their long construction period, high construction cost, and high individual cost price in their fixed assets, they have the advantage of making a rather large retention of depreciation charges. A comparison between the two indicates a case of inequality in misery and joy. As a matter of fact, under the conditions of registering the value of fixed assets on the basis of their individual cost price, such a phenomenon of inequality in misery and joy forever exists. This, on the one hand, has compelled the state to lower the profit targets of those enterprises which on account of lavishness in capital construction are suffering from a high production cost and on the other hand it has forced the state's hand in upgrading the depreciation rate of equipment in old enterprises for the sake of procuring more funds for rebuilding and renovation, but the results achieved have by no means

basically solved the problem of the inequality as stated and have actually ~~brought about a reduction in financial resources. Reform of the~~ mentioned reform can gradually reduce these disparities. At least, it helps in removing the state of inequality in misery and joy between enterprises which have undertaken new building and expanded building projects at different period of time.

4. Beneficial to the retrieval and recovery of investments made, since the accounting records of the production enterprises will thus adequately reflect the amount of investment to be reimbursed and point to the direction of carrying into effect the reimbursement targets to the state. In addition, the supervisory role of accounting is strengthened and the full compensation of the state's investments is ensured. As for the portion of the social cost price which has been formed into fixed assets, reimbursement of the state's investments may be made through remittance to the state of a portion of the depreciation charges and charges for use of the fixed assets.

CSO: 4006/424



## AGGREGATE ECONOMIC DATA

### BRIEFS

GUANGDONG INDUSTRIAL PRODUCTION INCREASES--Guangdong Province's gross industrial output value by the end of March was 7.957 billion yuan, an increase of 9.92 percent over the same period last year. Industrial production increased in 14 cities and prefectures in the province. The development of light and heavy industries was better coordinated. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 20 Apr 84 HK]

GUANGDONG COMMODITY PRICES DECREASE--In the first quarter of this year, the commodity prices at fairs in Guangdong Province decreased rather sharply. According to statistics, the general level of commodity prices at fairs decreased by 6.1 percent compared with the same period last year. Of these commodities, the price of paddy decreased by 21.3 percent compared with the same period last year; peanut oil, by 5.7 percent; meat, poultry and eggs dropped slightly; aquatic products also showed a slight decrease; and the price of vegetables dropped greatly, as much as 30 percent. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1100 GMT 23 Apr 84 HK]

GUANGXI INDUSTRIAL ENTERPRISES--The gross industrial output value of the industrial enterprises in Guangxi region in the first quarter of this year was 5.65 percent more than in the same period last year, the amount of taxes and profits in this period increased by 11 percent, the amount of profits submitted to the state recorded an increase of 13.9 percent, the amount of losses was reduced by 29.78 percent, and the number of industrial enterprises incurring losses was reduced from 35.3 percent in the same period last year to 30.9 in the present period. [Summary] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 3 May 84 HK]

GANSU INDUSTRY--The gross output value of the industrial enterprises in Gansu Province was a record for the first quarter of this year. The increase in profits was greater than the increase in output value. The amount of profits in the first quarter of this year was 76.7 percent more than in the same period last year. Revenue recorded an increase of 27.9 percent. The number of industrial enterprises which incurred losses in the first quarter of this year was 65.5 percent less than in the same period last year, and the amount of losses was reduced by 67.39 percent. [Summary] [HK081504 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 19 Apr 84 HK]

SHAANXI ECONOMIC RESULTS--In the first quarter this year, the grand total of the province's revenue was more than 364 million yuan, an increase of 25.9 million yuan over the same period last year, or up by 7.65 percent. The situation in the province's industrial production and commercial trading was fine. There was a synchronous increase in the revenue from various areas on the one hand and in the value of industrial production and the total sales volume in commerce on the other hand. In financial expenditure for the first quarter this year, there was an increase in productive expenses and a considerable decrease in administrative ones. [Text] [HK071307 Xian SHAANXI RIBAO in Chinese 26 Apr 84 p 1]

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## ECONOMIC MANAGEMENT

### TIANJIN, OTHER AREAS COOPERATING IN TECHNOLOGY

HK251251 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 84 pp 14-16

[Article by Wu Si [0702 1835] and Zhang Fuxiang [1728 4395 4382]: "Develop Economic and Technological Cooperation in a Well-Planned Manner and Taking the Overall Situation Into Consideration"]

[Text] Economic and technological cooperation between Tianjin and other parts of the country has been developing in depth and breadth since the 3d Plenary Session of the 11th CPC Central Committee. At the initiation of the departments concerned, various trades and professions and units in Tianjin Municipality have dispatched more than 100 economic and technological cooperation delegations, cooperation groups, investigation groups, technical service groups, and study groups to 26 provinces, municipalities and autonomous regions at different times to promote scientific and technological cooperation. At the same time, 113 delegations from various parts of the country have visited Tianjin. A total of 1,569 agreements on research and technological cooperation and human resources cooperation were decided on through consultation. Of these, 484 agreements have already been fulfilled. Technological cooperation is no longer a spontaneous and small-scale pooling of efforts. It is now organized in a well-planned and well-led way on a much larger scale, and is being extended over and beyond the sphere of production to the spheres of culture, education, public health, scientific research and technological exploration. The results achieved are becoming more and more notable. Technological cooperation is producing an increasingly more spectacular impact on Tianjin's economy and is demonstrating its immense superiority.

#### I

An important manifestation of the continual development of technological cooperation between Tianjin and other places is that the mode of cooperation is constantly being innovated and the subject matter of cooperation is becoming much richer. The following are five major forms of cooperation that are being carried out on a large scale now:

1. Technical counseling and services. The earliest form of technological cooperation between Tianjin and other places mainly involves the exchange of scientific and technical personnel, managerial cadres, and veteran workers to give guidance to and learn from each other. This method, which is simple and easy to carry out and can yield quick results, has been widely put into practice in the past years.

On the one hand, Tianjin organizes technical counseling and service groups and sends them to all parts of the country to hold joint consultations on technological matters, to give special talks, to put on demonstrations, to exchange and teach advanced techniques, to offer relevant blueprints and directions for producing particular products, and to train technicians. In 1983 alone, Tianjin sent 38 technical counseling and service groups with 310 members to Gansu, Nei Monggol, Ningxia, Yunnan, Guangxi, Jilin, and other places, where they gave special talks to 65,000 people, put on 322 demonstrations, and trained 693 professional men of various fields. They also offered 413 technical advice and improvement suggestions, 460 blueprints, and 68 technical directions for the manufacturing of products to 46 enterprises, and helped these enterprises produce 30 new varieties and designs.

On the other hand, experts from different places are invited to come to Tianjin to give technical guidance on weak links in the city's economic and technological development. The silk trade of Tianjin invited technical personnel from the Tiancheng silk fabrics factory and the silk printing and dyeing factory of Hangzhou to come and help solve such technical problems as soaking silk cocoons, heat setting, and silk printing and dyeing. As a result, the Tianjin No 4 silk fabrics factory is now able to produce high-grade pure silk products that are up to export specifications and the Tianjin silk printing and dyeing factory has increased the rate of top quality pure silk printing and dyeing from 70 percent to 87 percent.

2. The mutual transfer of scientific and technological achievements. Some colleges and universities, research units, and enterprises in Tianjin have made positive efforts to transfer scientific and technological achievements to all parts of the country in recent years. They offered to supply duplicates of research projects and joined hands with other places in tackling scientific and technological problems. Since 1982, a total of 48 agreements on the transfer of research results and supply of duplicates have been reached with 15 provinces. As a result of enlisting the help of Tianjin's Nankai University in carrying out technical research and reforming outmoded technologies, the Jiangxi comphor factory can now gross an annual income of 3 million yuan.

Meanwhile, production departments and units in Tianjin are actively accepting orders from all parts of the country to put research results to work. Since 1982, they have accepted 284 orders from 75 colleges and universities and research units in 13 provinces to put the results of scientific research and technological development to work. The Xinxin pharmaceutical factory of Tianjin accepted an order from Qinghua University to develop a new technology of manufacturing anhydrous ethanol by putting in salt during extraction and rectification. They also joined hands in solving problems and industrialized production and built a new anhydrous ethanol unit with an annual production capacity of 800 tons. With this new unit, the factory can save 280,000 yuan each year. The purity of products is increased to over 99 percent. Together, they also worked out ways to make comprehensive use of the 1, 00 tons [as printed] of diluted alcohol which came as a by-product. This not only enabled the enterprise to achieve notable economic results but reduced environmental pollution.

3. Joint production in which each partner contributes a share of the skills required. This form of cooperation, which combines technological cooperation with economic combination, and combines the transfer of technology and products with the rational readjustment and reorganization of industry, can arouse the enthusiasm of both parties and speed up the transfer of scientific and technological achievements. The Shanhaiguan soft drinks factory sells its products well but has a shortage of orange marmalade, which is used as raw material. In 1982, this factory and the Gaishan commune in Fuzhou city decided through consultation that they would join hands in producing orange marmalade and soft drinks. The former contributed the necessary technology and the trademark, while the latter contributed the raw materials and the factory premises. The joint enterprise was to hand over a certain percentage of the proceeds from sales to the Shanhaiguan soft drinks factory and supply it with a given quantity of orange marmalade. The project went into operation in 1983. Its products are sold in first-class hotels and restaurants in all parts of Fuzhou and are in great demand there. The economic results are excellent.

4. Train college students that are in short supply in various places and transfer students to these disciplines, and exchange and help others train all kinds of specialized personnel. In 1983, Tianjin decided to cooperate with some other places in the matter of intellectual resources through consultation. The cooperating parties concerned agreed to make use of student quotas of students retained by colleges and universities run by the local authorities and by local colleges and universities run by the central authorities. They were to transfer and train a large number of college students by dividing the enrollment quotas equally, making changes in disciplines, accepting students from other places, and sending them back to their original units for job assignments after graduation. In 1983, 12 colleges and universities in Tianjin recruited and trained 180 students of 69 disciplines from 6 provinces. On the other hand, 26 colleges and universities in 6 provinces also recruited and trained 171 students of 46 disciplines from Tianjin. According to the cooperation program, 16 colleges and universities in Tianjin will recruit and train 317 students of 79 disciplines from 15 provinces in 1984, while 104 colleges and universities in these 15 provinces will recruit and train 317 students of 108 disciplines from Tianjin. In addition, Tianjin will also train various kinds of specialized personnel for other places and conduct exchange programs in various ways.

5. Schools and research institutes run by factories will establish long-term and fixed ties of technological cooperation with their related units. With the continuous growth of technological cooperation. Tianjin has established fixed ties of technological cooperation and joint development with an increasing number of enterprises, colleges and universities, and scientific research units in various places. Some of these have developed or are developing into integrated bodies that combine scientific research and trial-manufacture production with the marketing and application of products. In 1983, some of the enterprises under the Tianjin Municipal Hydraulic Tools Industry Company, optical industry company, and computer industry company established long-term and fixed ties of cooperation with Zhejiang University and other institutions of higher learning to launch joint development programs and utilize new technologies. These institutions of higher learning helped the enterprises and trades work out

development plans and develop new products and techniques. They also provided technical counseling and economic and technical information, trained specialized and technical personnel for these companies, conducted research on problems encountered by the enterprises in the course of production, and constantly applied the fruits of scientific research in production. Each year, these companies and enterprises will contribute a given sum of money to be institutions of higher learning for scientific research purposes.

## II

Whether we are looking at Tianjin itself or at those places which have ties of cooperation with this city, we can see that the results of technological cooperation are very obvious.

First, it has accelerated the transfer of science and technology and the knowledge of management from Tianjin to the interior of the country, and has [word indistinct] technological advancement and transformation in the city's enterprises. In the course of cooperation in these last few years, Tianjin has transferred a batch of fairly advanced research achievements, industrial technology, and management experience to the interior in a planned and organized way for application in production. For example, soy sauce produced in Huhhot of Nei Monggol and Shijiazhuang of Hebei, washing powder and bone glue produced in Gansu, bicycles produced in Changsha, Xian, Jinan and Gansu, woolen textiles produced in Yunnan, foodstuffs produced in Nei Monggol and Ningxia, and so on, have all achieved notable results in improving the quality of products, reducing consumption, increasing varieties, and making up deficits through carrying out technological cooperation with Tianjin.

Many of the enterprises in Tianjin are quite old. Their outmoded and backward equipment and installations perform poorly. Through technological cooperation, Tianjin has adopted a good many advanced scientific and technological achievements of other places and units. Thus it is able to utilize the strong points of others to make up for its own weak points. At present, more than 100 enterprises in Tianjin have improved the quality of some 110 products and reduced consumption through cooperation. The Tianjin Optical Industry Company trial-manufactured and batch-processed 101 new products in the last 3 years. Of these, 46 products were either contract jobs or developed in association with universities and research institutes in various places. In 1982, new products accounted for 47.4 percent of the company's gross output value and 36 percent of the total profits. At the present rate of development, all products now being produced may be upgraded within 5 years.

Second, through the transfer of technology it has increased the supply of some goods that are in great demand, and has promoted the development of the economy. Some of the technological cooperation programs launched by Tianjin are directed toward energy and goods shortages. Over the last 3 years, more than 90 types of goods in short supply, worth over 400 million yuan, were produced. They helped to ease, to some extent, the tense situation in the supply of energy and materials. For example, Tianjin transferred the production of calcium carbide, which consumed a lot of energy, to energy-rich Jiangxi and undertook production jointly with the local authorities by contributing the necessary equipment and technology. In 1983, Jiangxi supplied Tianjin with 40,000 tons of calcium

carbide as required. That year, Tianjin reduced power consumption by 140 million kilowatt-hours, about 3 percent of the city's industrial power consumption. It also saved 50,000 tons of raw coal.

Third, it has pushed forward the development of science and technology. The extensive development of technological cooperation also plays an important part in promoting the development of science and technology. Units that furnish scientific and technological achievements and provide technical services can generally benefit in three ways. First, the scientific research units are able to organize scientific research in light of actual needs in production. This is a move away from the past practice of picking a topic to work on from documents and carrying the results achieved only as far as the stage of writing academic papers, and shows an improvement in research work. Second, they can make use of the proceeds from the rendering of technical services to buy instruments and equipment, thus making good the shortage of research funds and improving the conditions of work. Third, through signing contracts or agreements on individual undertakings, it is possible to assess and reward scientific and technical personnel in light of their responsibility and performance. This helps build and strengthen the system of responsibility in scientific and technical work, and further arouses the enthusiasm of the scientific and technical personnel.

### III

As far as leading and organizing the work of technological cooperation is concerned, Tianjin is beginning to get a comprehension of the general law of things and is working with greater and greater initiative. In this connection, Tianjin focuses its attention mainly on the following aspects:

First, various forms of technological cooperation are taken as the principal mode and main aspect in efforts to promote cooperative activities. Between 1980 and September 1983, Tianjin cooperated with fraternal regions on more than 1,900 projects, of which 1,569 projects, or 82.6 percent, were related to scientific research, technology, and intellectual resources. Because the role of technological cooperation is emphasized in internal economic combination, the technological superiority of Tianjin is brought into full play. This meets the urgent needs of inland areas for higher scientific and technological standards in their economic development. It can be done quite easily at the local level because usually it does not affect the state's efforts to strike an overall balance in the supply for raw and processed materials and energy, and does not require a lot of money. It stands out from other forms of cooperation because it requires little investment and can yield quick results. When a breakthrough is made by carrying out technological cooperation, it is possible to promote cooperation in other fields and constantly cement lateral economic ties between Tianjin and other fraternal regions under the guidance of the state plan.

Second, great care is taken to gradually develop one-time short-term cooperation into full-fledged, long-term, and fixed ties of economic and technological cooperation between regions. In October 1980, Tianjin and Gansu signed a summary of talks in the name of both governments and established the first full-fledged

and long-term ties of economic and technological cooperation. Afterward, Tianjin entered into this kind of relationship with 16 other provinces, cities, and regions. This method enables the cooperating parties to have a clear understanding of the direction of economic and technological cooperation and the principal problems to be tackled through cooperation, making it easy for the economic and technological departments on both sides to carry out integration and cooperation in a systematic and planned way according to a unified direction and unified demands. By bringing the development of economic and technological cooperation into line with the long-term and immediate plans of the region, the cooperating parties can make overall plans around their own key points in economic and technological development.

Third, adhering to the principle of ensuring the leading role of the planned economy, supplemented by market regulation, individual development by various units according to their own needs is combined with guidance planning and overall arrangement by the state. Sometimes spontaneous technological cooperation between units does not go well with the state plan and may even show discrepancies. Tianjin has taken special note of this problem. They make an effort to carry out economic and technological cooperation in a planned and organized way according to the interests of the whole and the state plans, and with major targets in mind. They try not to give unlimited scope to the role of market regulation in an effort to avoid spontaneity and blindness. In practice, they take care to make technological cooperation conform with the long-term planning of the state and the locality. They make overall arrangements according to the principle of economic rationality and look at economic and technological cooperation as something that will assist in the fulfillment of the state plans. They pay attention to the key construction and transformation projects and other projects urgently needed by the state. They include the cooperation projects in the regional economic plans, and bring joint investment in cooperation projects into line with overall state investment in fixed assets and into the channels of local funds. Goods and materials produced in cooperation are included in the regional commodities plan and are to be used in construction and production within the plan. With products that are not included in the state plan for production at fixed locations, products that are subject to restricted development by state orders, products for which there is productive capacity to spare, and products that may cause difficulty in striking a balance in the supply of energy and principal raw and processed materials, there will be no cooperation.

Fourth, in handling the interests of the parties to technological cooperation, it is necessary to pay attention to mutual benefit as well as bearing and style. Comrades in Tianjin believe that in promoting regional economic and technological cooperation, they must uphold the principle of equality and mutual benefit. However, because of complicated economic conditions and because economic administration is still imperfect, it is quite difficult to be totally fair and just in doing everything. One must have the overall situation in mind and must not haggle over trivia. Proceeding from this guiding ideology, they insist on dealing with each case on its merits. In cooperating with interior and minority nationality regions, old revolutionary bases, and poverty-stricken areas, they insist on making it an act of support, with mutual benefit as a



secondary consideration. In cooperating with adjacent areas and areas that produce raw and processed materials, they insist on mutual aid, mutual benefit, and voluntariness. In cooperating with the economically developed regions, they insist on equality, mutual benefit, and reciprocal cooperation.

Fifth, properly organizing and coordinating units that take part in technological cooperation in the municipality and providing them with the necessary services. To meet the needs of the development of economic and technological cooperation, Tianjin has set up an economic cooperation center, an economic and technological cooperation service company, and a company which handles the local and special products of different localities to smooth the channels of economic and technological cooperation, relay information, and carry out all kinds of organizational, liaison, and service work. Some technological cooperation projects are organized to meet the needs of the whole municipality. They benefit units that do not take part in the cooperation, so much so that the cooperating units cannot benefit or benefit very little from their efforts. In view of this, they pay attention to balancing out and regulating economic interests within the scope of the municipality, trying hard to ensure that everyone who does his best can get his due by giving compensation in various ways, such as distributing funds and raw and processed materials.

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## ECONOMIC MANAGEMENT

### JOURNAL ON GANSU'S COOPERATION WITH OTHER AREAS

HK230650 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 84 pp 17-18

[Article by Wang Yong Chang [3769 3057 2512]: "Fundamental Experience Gained by Gansu Province From Interprovincial Economic and Technological Cooperation"]

[Text] In 1983, Gansu Province made new progress in carrying out economic and technological cooperation with other provinces, municipalities and regions. In addition to relations of economic and technological cooperation that our province established with Tianjin, Shanghai, Jiangsu, Henan, Yunnan, Sichuan, Guangdong, Hunan, Chongqing, and Xinjiang in 1981 and 1982, it established in 1983, relations of economic and technological cooperation with 14 provinces, municipalities, regions, and departments, including Beijing, Shanxi, Nei Mong-gol, Zhejiang, Anhui, Jiangxi, Chongqing, Hubei, Guangxi, Shaanxi, Qinghai, Ningxia, Xizang and the China State Shipbuilding Corporation. In 1983, it signed contracts for 20 joint venture projects and drew in 60.57 million yuan. It also signed contracts for 258 technological cooperation projects. In order to carry out these cooperation projects, it sent 74 batches of 365 persons to the advanced provinces and municipalities to accept [word in-distinct] and invited 10 batches of 143 persons from other provinces and municipalities to give technological advice and guidance.

Through cooperation, our province sent 72 people to receive training in 28 specialities at higher education institutes and secondary technical schools in other provinces and gave training to 25 people from other provinces in 9 specialities at our province's higher education institutes.

Through cooperation in the supply of materials and goods, our province supplied other provinces, municipalities, and regions with nearly 20 kinds of material. and good including coal, chemical fertilizer, and diesel oil and hydrogenized gasoline, while other provinces, municipalities, and regions supplied our province with 73 various kinds of buses and trucks, 500 metric tons of soda ash, 50,000 metric tons of coke, 50,000 metric tons of anthracite, 2,800 metric tons of thin steel plate, and more than 10 kinds of other materials and goods that were in short supply in the market. At present, our province's activities in economic and technological cooperation is deepening in the direction of establishing cooperative relations between areas, between the same trades, and between enterprises of the same line in our province and in other provinces, municipalities, and regions and in the direction of contracting

all-round responsibility for certain projects. For example, in 1983, we promoted the establishment of relations of support and cooperation successfully between Lanzhou City and Shunyi County in Beijing, between the Gansu provincial bureau for the administration of rural collective economy and the Beijing municipal bureau of commune and brigade enterprises, between the Gansu Agricultural Reclamation Corporation and Beijing Municipal Agriculture, Industry, and Commerce Joint Corporation, and between the Gansu cotton mill and the Shanghai Municipal Textile Bureau. This has enabled economic and technological cooperation to be extended into broader spheres characterized by diversification in tiers, channels, and forms.

Our province's experience has proved that widely developing interprovincial economic and technological cooperation facilitates greatly raising the economic and technological cooperation facilitates greatly raising the economic results of both the parties involved in the cooperation and of the society as a whole. From the viewpoint of our province, economic cooperation promoted technological transformation in our existing enterprises and added new production capacity to them. The China State Shipbuilding Corporation supplied our province with interest-free loans for the extension of our province's Gaoya cement plant and thus increased its production capacity by 200,000 metric tons. The capital iron and steel company provided 3 million yuan in interest-free funds for the expansion of the Liancheng silicon iron mill and thus increased its capacity by 7,200 metric tons.

Technological cooperation has also promoted technical progress. Helped by the technological advisory service team from Shanghai, the Gansu cotton mill increased the percentage its mixed polyester and cotton fibre products that were of first grade quality from 5 to 35 percent.

Under the guidance of skilled workers from Tianjin, the nationality fur factory in Gannan Autonomous Prefecture, succeeded in producing sheep wool in bright yellow, green, red, orange, and blue, thus providing relatively good raw materials for the production of women's coats.

Technological cooperation promoted the undertaking of processing agricultural and sideline products and the comprehensive utilization of leftover bits of industrial materials. With the help and guidance of the Tianjin municipal preserved fruit factory, the Tianshui preserved fruit factory collected and utilized its leftover syrup and thus increased its tax and profits by 13,600 yuan yearly. It also used its scrap mashed apricots and applies to produce preserved prunes, thus contributing about 3,900 yuan.

The deepening of economic and technological cooperation activities has also facilitated the emancipation of the minds of our enterprise leaders. For a time, the Lanzhou woolen knitting factory suffered losses because of backward technology and poor management. Later, through enterprise consolidation, this factory employed two factory directors by recruiting from the public and thus improved its management. In 2 years, the factory sent 18 batches of 156 persons to advanced provinces and municipalities to study technology. As a result, the factory quickly raised the level of its production, developed new varieties of goods each and every month, put its products in markets in 21 provinces and municipalities and thus quickly switched losses for profits.

In addition, through technological cooperation, the staff and workers in the relevant enterprises in our province learned not only advanced technology but also good thoughts and work style. The 48 comrades in the advisory service team from the Shanghai Bureau of Textile Industry took part in the shift work as soon as they arrived at the Gansu textile mill. They earnestly taught and helped our workers and did their work hard and soundly. Zhu, director of No 23 bleaching and dyeing factory, several times entered a boiler to repair it despite the high residual temperature there. Other skilled workers entered its wind channels several times to check the speed and volume of wind in order to get reliable data to improve humidity and temperature. Their fine thoughts and work style greatly educated the workers and staff of the Gansu cotton mill.

In carrying out its economic and technological cooperation work, our province has also accumulated some work experience that practice proved to be effective. The major experiences are:

1. We should heighten our awareness and strengthen our leadership. In the process of implementing the CPC Central Committee's series of principles and policies on "opening up to the outside world and enlivening the economy at home," the Gansu Provincial CPC Committee and government made a conscientious analysis of the favorable and unfavorable factors in Gansu's economy and thus realized that in order to speed up Gansu's construction, we must give full play to our favorable factor of having rich energy and other resources, learn from the economic management experience of advanced areas, attract funds and introduce technology. Next, the leading comrades personally led teams on investigations in Sichuan, Yunnan and other provinces, municipalities, and regions and personally discussed and decided on a number of projects in economic joint ventures, technological cooperation, and materials and goods exchanges. When they returned to the province, they personally called meetings of the responsible persons of the relevant committees, offices, departments, and bureaus to make sound arrangements for these projects, check the progress of the implementation of these projects, and solve problems. In order to strengthen their leadership, the provincial CPC committee and government put the work related to economic and technological cooperation on their agenda of important work, listened to reports on the progress of these projects, arranged tasks, and put forth requirements. Whenever there is an important economic and technological cooperation project, the provincial official in charge will personally hold talks on it and preside over the ceremony for the signing of the contract for the project.

2. We should adhere to the principle of returning preferential treatment with preferential treatment and achieving prosperity together. We think that in developing the economy, both advanced and less advanced areas have their favorable factors. The task of economic cooperation is to combine the favorable factors of the two kinds of areas, and thus achieve the aim of developing the favorable factors and overcoming the unfavorable factors in order to become prosperous together. Our province's abundant energy and other resources are quite attractive to the advanced provinces that have advanced technology and large amounts of funds but lack energy and other resources. Therefore, both sides desire joint ventures which facilitate reaching agreements. In

holding talks on joint ventures and cooperation, we adopted a sincere attitude and flexible methods, we not only insisted on our needs, but also took into consideration the needs of the other parties; therefore, the talks developed relatively smoothly.

3. We should relax our conditions and consciously give up some interests. In carrying out economic and technological cooperation with other provinces, municipalities, and regions, we persist in focusing on considering the interests of the whole situation, striving to achieve prosperity together and raising our economic results, and paying attention to displaying good virtue in dealing with what is urgently needed in production. If a project is urgently needed by the state, we consciously hold talks and vigorously carry it out. As long as a project is beneficial to the state from the point of view of the whole situation or from the point of view of the long-term needs of our state, we should decide out of the consideration of the whole situation and of the future and we should never focus on small and immediate interests. As soon as an agreement is signed, we begin to supply the other party some of the products though the agreement has not yet come into effect. After a project is put into operation, we supply the other party the products in the agreed proportion. After we have repaid all funds, we will hold more talks with the other party and continue to maintain relations with it by supplying goods to it.

4. We should pay attention to our trustworthiness and attach importance to agreements. Economic and technological cooperation is grand socialist cooperation between fraternal provinces, municipalities, and regions. It is a new thing in our economic work. Therefore, from the very beginning we have paid attention to enabling this work to develop healthily under the guidance of the principle of socialism. There is a general mood of honesty among our people in Gansu to keep our promises and abide by agreements. In holding talks, we brief the other party on the situation in the manner of seeking truth from facts and set rational terms. In discussing projects, we explain both the advantages and disadvantages and never go back on our words or deliberately complicate the issue. When agreement is reached by both parties, it will be written into the contract and included in the state or local plans and conscientiously implemented.

5. We should first tackle small and easy problems and then big and difficult ones. This means that we do not reject a joint venture or technological cooperation project because it is a minor one, but think that it is better to have things done step by step. In choosing cooperation projects, we place emphasis on the building material industry; energy industry; prefectural and country enterprises; commune and brigade enterprises; agricultural reclamation enterprises; and agriculture, animal husbandry, industry, and commerce in old-liberated areas, minority nationality areas, border areas, and poor areas. These areas and sectors lack funds and technology, but have abundant resources. Moreover, the administrative power there is flexible. Therefore, it is easy to reach agreements and to achieve effective results.

6. In carrying out economic cooperation, we should start from tapping our potential and conducting reforms in order to urge the enterprises to follow the path of development by intension. All the contracts which we signed for 20 economic joint venture projects in 1983 were characterized by expanding our production capacity through the technological transformation and partial extension of our equipment without starting new projects or new items. In so doing, first, we need not enlarge the scale of the state's capital construction; second, we spend a short time to achieve a rapid result; third, it urges our enterprises to focus on tapping their potential and conducting reforms, and following the path of development by intension.

7. In introducing technology, our province has paid attention to four aspects of its work: 1) We should aim at raising the overall labor productivity and raising the technical level; 2) We proceed from solving key and difficult problems which affect our output, quality and consumption; 3) We must concentrate our efforts on producing the products that our province lacks; and 4) First, we should combine the introduction of advanced technology with the improvement of our enterprises' management. Second, we invited engineers, technicians, and skilled workers from other areas to give technological advance and guidance. This provided on-the-spot study and training in the light of the practical conditions there, and incurred less expense and achieved conspicuous results. Third, experts from other areas studied our enterprises' vital and difficult problems on the spot and made breakthroughs together with our personnel. This method was markedly effective in solving our enterprises' major difficult technological problems and the problem of noninterchangeable raw materials, technology, and skills.

8. In the field of cooperation related to materials, we should not only consider the practices of "supplying each other's needs," and of "mutual benefit," but also develop the good virtue of taking into consideration of the urgent needs of production and livelihood. We should not pursue simple equal exchanges of materials and goods. In exchanging materials and goods, we should strictly implement the state's relevant regulations and policies and should not sell at negotiated prices, indiscriminately increase charges, or seek private interests.

CSO: 4006/540

## ECONOMIC MANAGEMENT

### ARTICLE ON IMPROVING ECONOMIC RESULTS OF ARMS INDUSTRY

HK010327 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 84 pp 32-33

[Article by Tong Xu [0157 2485], Zhong Jisheng [6988 0697 3932], and Chen Jinyu [7115 6930 0151]: "Enhance the Superiority of the Skills of the Arms Industry To Serve the National Economy"]

[Text] At present, all industries and trades in the country are considering most important the improvement of the economic results. How may the arms industry improve its economic results? This is a grave question as a result of an insufficient arms production orders. After several years of effort, the Changjiang machine plant in Nanjing found an answer to this question: Enhance the superiority of the skills of the arms industry to serve the development of the national economy. This plant has achieved notable economic results by paying close attention to shifting its technique in arms production to the manufacturing of articles for civilian use, thus enhancing the superiority of its skills in a relatively better way. Since 1980, under the conditions of a continuous decrease in arms production orders, this plant has achieved an increase of over 100 percent in its gross industrial output value. Its output of products for civilian use has made a large-scale increase. From the output of articles for civilian use alone, the gross amount of profit remittances to the state was nearly 20 million yuan.

In its realization of transferring the use of its technological skills in arms production to the making of articles for civilian use, the process that the plant has gone through changed from an unaware one to a conscious one. Practice made the plant realize that an "alliance between the military and civilians" is a long-term and fundamental policy, and that realization of the shifting of skills for military use to civilian use is its historical responsibility. It has resolved that under the logical premise of giving priority to arms development, it will readjust the structure of its products, display its technological superiority, and apply its successes in scientific research, in trial production, and in production of arms to the field of production of articles for civilian use, thus speedily converting its "hidden" productive force into a direct productive force.

According to the experiences of this plant over the past several years, the transfer of its skills from military use to civilian use has generally taken the following directions:

1. Shifting the skills for military use to production of traditional articles for civilian use has promoted the renovation and replacement of the traditional articles and has helped the speedy formation of high quality products. In 1979, there were already many plants in the country engaging in the manufacturing of electric fans. The Changjiang machine plant decided to make use of its skills in arms production to manufacture good quality electric fans, replacing the old with the new. First, it employed a technique for the manufacturing of an image-transfer machine for military use (actually a certain kind of microwave machine with rather high technological requirements), which makes use of the technique of cylindrical oiled bearings [yuan zhu han you zhou cheng 0955 2691 0698 3111 6519 2110] to design the building of a machine that is very durable. Making use of their past experiences in the use of high quality engineering plastic in arms production and displaying their ability in processing molds in arms production and in making high precision products, they turned to preparing new designs for electric fans. In this way, through the use of advanced techniques in arms production, this plant has turned out the "Bat" brand electric fan (its export trademark is known as the "Beauty-Superiority-Happiness" brand), which has the following special features: It is a new model, good looking, makes little noise, barely heats up when in use, has a small power consumption, is durable, high utilization value (in comparison between the wind volume and power consumption rate), is inexpensive, and so forth. The fan has become one of the top-grade China-made electric fans. This transfer of military use technology to civilian use not only has brought a new life to the plant, but also has promoted the development of the technique used in the production of China-made electric fans. In addition, it has led the way in domestically produced electric fans to universally employ the use of new materials, such as good quality engineering plastics, and generally to adopt new techniques and new craftsmanship.

2. The rigid technical demands and perfect quality control methods found in the production and control of arms products are applied to the production of articles for civilian use. In their production of the "Bat" brand electric fans, they have employed quality control methods in making products for military use. Starting from the arrival of the new materials in the factory, an overall quality control system is enforced for each and every step and procedure. An internal control standard is formed, which is higher than the standard fixed by the state, and inspection of the quality of the product is made in accordance with this internal control standard. These measures have greatly improved the quality of the products and raised their reliability.

3. Attention is paid to providing other departments with mature "technical products." The production technique for television transmission equipment is more or less akin to this plant's techniques in arms production. Without changing the production system and without adding any major equipment, meters, or instruments, high-frequency transmission equipment to help, successively, the 227 television transmission towers in 24 provinces, municipalities, and autonomous regions of the country to produce their own television transmission



aerial systems. According to reports, the transmissions and broadcasts of all the television towers using the television aerial equipment manufactured by the plant are improved in quality and are well received by the viewing public. Moreover, the plant has carried out various forms of technical exchange and cooperation with other units through such channels as collection of information and making technical inquiries. It has helped plants making sewing machines in the locality to build the processing equipment for punching the needle holes in the top part of the machines. It has also helped to solve the problem, met with in a scientific research cooperation project between the Nanjing Aviation Academy and West Germany, of making a 0.1 mm diameter bores in 1 mm stainless steel tubes.

4. Employment of arms production technology to develop the making of articles for civilian use which require a relatively high degree of technical intensity and are rather complex in structure. Acting on the basis of the above-mentioned "transfer, promoting, and transplanting," the Changjiang machine building plant is, with the aid of arms production technology, actively engaged in the preparation work for developing and making microwave relay-communication equipment and frequency [word indistinct] stereophonic relay-communication equipment which requires a relatively high degree of technological intensity and are also relatively complex in structure. In the course of this studying and manufacturing work, the plant has insisted on the application of the basic principles of arms production technology, sidestepped certain traditional procedural states, and decided on taking a development direction which has a high starting point and involves new technology. At present, it is actively making the necessary technical preparations to cooperate with educational institutions of higher learning and research organs in the research, development, and manufacture of a full solid-state frequency modulation stereophonic sound broadcast and transmission machine.

Their methods of procedure are as follows:

1. Heightening their knowledge and intensifying their leadership work. Following 30 years of construction and development, the Changjiang machine building plant of Nanjing has developed a relatively large technical force which numbers over 900 people and possesses relatively good technical equipment. The full development of this technical superiority embodies an important significance in promoting the development of the [word indistinct] economy and strengthening the construction of the national defense industry. In order to display their technical superiority and strengthen leadership over the work of shifting arms production technology to production of articles for civilian use, they have designated a leadership cadre of the plant to take general charge and a vice chief engineer to assume concrete responsibility for achieving the objective of "the military leading the people and the people supporting the military."

2. Making unified plans and overall arrangements. Simultaneously with heightening their knowledge and intensifying their leadership role, they have made unified plans for arms production and production of articles for civilian use, thus accomplishing the feat of treating the military and civilians

alike. In the course of planning, they have combined long-term planning with current development, based themselves on the full display of their own technical superiority, strongly insisted on the logical premise of giving arms the priority, and actively carried out technical transformation. Concerning the research and manufacture of military articles, the weak links and lines in short supply in production have been strengthened. They rely on their own technical strength to do self-planning work and to make themselves (standardized and general equipment are purchased from outside) and also install by themselves the necessary production equipment for developing the manufacture of electric fans. Over the past few years, they have successively set up 10 production lines. In this way, they have built a material and technical foundation for transforming the use of arms production technology to the making of articles for civilian use. In about 3 years only, the production volume of electric fans has increased by 1,000 percent.

3. Paying close attention to training up a squad of personnel who can promote the application of arms technology and who are talented people who can serve well both in the military sphere and in the civilian area. Following the continuous development of articles for civilian use, this plant has set up a second planning office entrusted with the tasks of conducting research on transforming the use of arms production technology to making of articles for civilian use and of engaging in the planning and trial production of articles for civilian use. At present, this office has a staff of 152 engineers and technicians and is specially equipped with trial production sectors. For the purpose of improving the quality and know-how of the technical personnel and based on the spirit of always learning whatever one is working on and replenishing whatever one is lacking, they have organized the technicians to learn specialized technology. This has enabled the large number of technicians to continuously improve their knowledge and ability. At present, this plant's specialized corps which takes charge of the transfer of arms production technology to making of articles for civilian use is being continuously expanded.

4. Establishing an information and technical and economic intelligence system on the transfer of arms production technology to production of articles for civilian use and causing this transfer to branch out to cover diversified kinds of articles for civilian use.

They have set up technical and economic investigation and research groups, organized the investigation of the needs of fraternal units and of major construction projects, collected information and technical and economic data and intelligence, linked up information on technical exchange and cooperation with outside circles and, expanded the scope of technical cooperation. All this has clearly pointed out to them the direction and important points for rendering technical services. They have also specially assigned equipment, tools, instruments, and experimental facilities for the purpose of developing technical service work.

The plant has begun the trial enforcement of a compensatory system for the transfer of technical results and has enforced a responsibility system. Starting from the general planning department and extending to each and every

department and project, responsible technical personnel are posted at each level. A post responsibility system has been introduced. Units and individuals who have performed meritorious work in the transfer of technology have been given appropriate material and spiritual rewards.

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## FINANCE AND BANKING

### GONGREN RIBAO DISCUSSES ISSUING BONUS TAXES

HK101342 Beijing GONGREN RIBAO in Chinese 5 May 84 pp 1, 2

[Article by Yun Zhiping [0061 1807 1627] and Yu Leigui [5713 0441 6311]:  
"Certain Questions on Taxing Bonuses"]

[Text] The State Council has recently promulgated the "circular on relevant questions concerning the issue of bonuses in state enterprises" and has decided to cancel the bonus ceiling and to levy bonus taxes. This is a major reform of the bonus system. We would like to present some of our superficial views on the relevant questions on canceling the bonus ceiling and on levying bonus taxes.

#### Why Was It Necessary in the Past To Fix the Bonus Ceiling?

When China resumed the bonus system in 1978, the state stipulated that enterprises could draw the bonuses from the production costs according to a certain proportion of the total amount of the workers' standard wages, or draw a proportional amount of bonuses from the enterprise funds and retained profits. The bonuses issued by the enterprises should not exceed the limit of 1.5 to 2 months workers' standard wages. Even in some progressive enterprises, the limit should not exceed the total of 3 months wages. This method of issuing bonuses which must not exceed the prescribed limit, is described by the people as "fixing the bonus ceiling." The implementation of this method can to some extent arouse the initiative of enterprise workers in increasing production and income. However, as there is a ceiling for bonuses and the bonuses are not increased with the increase of production and attainment of better economic results, there has appeared the tendency of egalitarianism in the issuing of bonuses which disregard the fulfillment of the plan, the increase in profits, and the varying contributions made by the workers. This impedes the implementation of the economic responsibility system within the enterprises and cannot give full play to the initiative of the workers. As a result, the bonuses cannot play the role of rewarding diligent people, punishing lazy ones, and encouraging overtime labor.

In the past, it was the objective conditions of the time which determined the necessity of fixing the ceiling for bonuses issued by the enterprises. First, prior to the implementation of substituting taxes for the delivery of profits, the relations of distribution between the state and enterprises were not stable, the economic responsibility of enterprises to the state was not clear,

and the enterprises were "sharing food from the same big pot" of the state. Under such circumstances, if there was no bonus ceiling, the amount of profits delivered to the state would decrease due to the excessive issuing of bonuses. Consequently, it would be difficult to implement the distribution principle of the state getting the biggest share, the enterprises getting the medium share, and the individuals getting the smallest share. It would also be difficult for the state to pool the necessary funds to carry out the key construction projects and to develop other undertakings. Second, it is because the current price of products in China is unreasonable and because the equipment and other objective conditions of various localities differ from each other that there is a great disparity in the profits made by different enterprises. Due to objective conditions, the profits made by the enterprises cannot entirely and truly reflect enterprise operation and management and the labor of the workers. If the bonuses are increased along with the growth of profits, it will aggravate the grievances among enterprises. Third, we cannot cancel the bonus ceiling when the management system of our enterprises is not yet perfect. Our state enterprises, which suffered from serious destruction during the 10 years of internal turmoil, are now being restored by setting things to right. However, viewed from the overall situation, our management level is rather low and our basic work is a weak link. Therefore, the excessive issuing of bonuses will only impede the perfection of the economic responsibility system within the enterprises.

#### What Are the Necessary Conditions for Canceling the Bonus Ceiling?

Although the bonus ceiling was unreasonable, it was necessary at that time. As the situation changed, we now have the conditions to cancel the bonus ceiling. In 1983, industrial enterprises took the first step in substituting taxes for the delivery of profits, and very soon they are going to take the second step. After the substitution of taxes for the delivery of profits, the relations of distribution between the state and enterprises have been fixed, the economic responsibility of the enterprises to the state has been clearly defined, and the big pot of the state in which the enterprises shared food has been generally smashed. Under such a situation, only by improving operation and management and attaining better economic results can the enterprises increase the amount of retained profits after paying taxes, can they increase the workers' bonus funds, and can they issue more bonuses. Otherwise, the enterprises will have to stop the issuing of bonuses or issue fewer bonuses. As the practice of excessive issuing of bonuses which might affect state revenue is ended, the basic conditions to cancel the bonus ceiling will be created. Furthermore, the situation of the great disparity of profits made by different enterprises due to irrational prices and other objective reasons will be relaxed after taking the second step of substituting taxes for the delivery of profits and by readjusting the tax rate of products. Although the question of a great disparity of profits cannot be fundamentally solved, it can be markedly improved. The cancellation of the bonus ceiling will not, in general, aggravate the grievances among enterprises. It must also be pointed out that from 1982, the overall consolidation of state enterprises, the strengthening of enterprise leading bodies, the enhancement of basic work, the establishment of the economic responsibility system and other necessary systems, and the improvement of the operation and management level have all created the required conditions to cancel the bonus ceiling. Therefore, the decision of the State Council on the cancellation of the bonus ceiling is correct and is made at the right time.

The cancellation of the bonus ceiling and the reform of the bonus system are both advantageous to the enlivening of the economy and the implementation of the economic responsibility system. In order to reform China's economic management system, it is necessary to solve the problem of "everybody sharing food from the same big pot." The substitution of taxes for the delivery of profits can solve the relations of distribution between the state and enterprises and can prevent the enterprises from "sharing food from the same big pot" of the state. Meanwhile, it is also necessary to smash the "big pot" within the enterprises. The key to the attainment of this point is to establish a complete set of economic responsibility systems within the enterprises. The cancellation of the bonus ceiling is advantageous to the implementation of the economic responsibility system within the enterprises. Only when the issue of bonuses is linked with the labor achievements of every worker, section, and workshop within the enterprises can we successfully embody the principle of distribution according to work and more pay for more work, arouse the initiative of the vast numbers of workers, tap latent potentials, improve operation and management, and increase production and income.

#### Why Is It Necessary to Levy Bonus Taxes?

Tax revenue is a lever in which the state readjusts, on a grand scale, the economic relations, and guides the enterprises in rationally utilizing the funds. In order to control, on a grand scale, the excessive [word indistinct] fast increase of the consumption fund and to smoothly implement the bonus system, the state, after the cancellation of the bonus ceiling, should control the bonuses issued by the enterprises. Levying bonus taxes is one of the effective methods to control the consumption fund and to control the amount of bonuses to be issued.

The workers' bonuses and wages are important component parts of the consumption fund. If the bonuses are issued without control, the consumption fund will be out of control, the workers will have a large amount of cash at hand, and the purchasing power will exceed the amount of commodities supplied, which is bound to affect the market and the stable prices. This is unfavorable to the long-term interests of the workers. If the consumption fund is out of control, it will not only affect the proportional relations between accumulation and consumption, but will also impede the planned, proportional, and steady development of the national economy. Comrade Chen Yun said: We must first feed the people and then build the country. If we exhaust everything, the state will suffer. Only when the people are properly fed can they have the strength to carry out production and construction and can the state have bright prospects. We must give consideration to both accumulation and consumption so that both can increase in a planned, proportional, and reasonable manner. Only in this way can we ensure the smooth development of the national economy and the fundamental improvement of the people's material and cultural life.

#### How Should the Bonus Taxes be Levied?

How should the bonus taxes be levied after the cancellation of the bonus ceiling? The Ministry of Finance is drafting a concrete tax law which will be put into effect after approval by the State Council. The spirit of the tax law includes, in general, the following: 1) The taxes will be levied on the

enterprises and not on the workers. It is the enterprises and not the workers that will pay the bonus taxes. 2) Besides the invention award, the award for 10 special raw materials, the award for rational proposals on technical transformation, and the award for quick unloading of foreign freighters, all kinds of bonuses issued by the enterprises (including materials) should be covered in the total amount of taxable bonuses. The bonuses issued to mining workers, porters, and construction workers will be exempted from taxes. 3) The bonus tax will be levied on a progressive rate basis. The taxes will be classified into low, moderate, and high rates, that is, the annual bonuses issued by the enterprises will be exempted from taxes if they are within 2.5 months' standard wages; a tax of 30 percent will be imposed on the amount of bonuses which exceed 2.5 months but less than 4 months' standard wages; a tax of 100 percent will be imposed on the amount which exceeds 4 months but is within 6 months' standard wages; and a tax of 300 percent will be imposed on the amount which exceed 6 months' standard wages. The implementation of the progressive tax rate method can give full play to the regulative role of taxation and the role of taxation in controlling the bonuses.

What Responsibility Should the Workers Undertake in the Reform of Bonuses?

It is a major reform to cancel the bonus ceiling and to levy bonus taxes. Therefore, the vast numbers of workers should have a sense of being masters of their own affairs and should actively support the state and enterprises in doing this reform well. First, it is necessary to further carry forward the spirit of the working class being the masters of their own affairs, further arouse the workers' initiative and creativity, and strive to fulfill the state plan, attain better economic results, and increase surpluses. Second, the workers should help the enterprises to appropriately issue the bonuses, smash egalitarianism in the issue of bonuses, and truly embody the spirit of more pay for more work and reward the diligent people and punish the lazy ones. Third, it is necessary to implement the economic responsibility system within the enterprises and to enliven the economy. The workers should help the enterprises in perfecting the system of personal responsibility for each post, section, workshop, and the entire enterprise, in doing well in overall management of planning, overall economic accounting, overall quality control, and overall management of labor, and in improving the management level of the enterprises. Fourth, the workers should also support the enterprises in appropriately utilizing the retained profits. According to the principle of using the larger portion for production and the smaller portion for the workers' bonuses and welfare benefits, the enterprises should relevantly establish the production development fund, the fund for trial-manufacturing new products, the fund for workers' welfare benefits, the fund for rewarding workers, and the reserve fund. While issuing bonuses, the enterprises should look ahead and behind, retain reserves, use good yield years to make up for poor years, and prevent violent fluctuations which may dampen the enthusiasm of the masses. Under the supervision of the workers, the enterprises should abide by the tax law and pay bonus taxes according to law. We believe that with the active support of the vast numbers of workers and the concerted efforts made by various trades and professions, we will certainly be able to do well in the reform of the bonus system and create a new situation in enterprise operation and management.

## FINANCE AND BANKING

### ZHEJIANG COMMERCIAL DEPARTMENTS OVERFULFILL TAX PAYMENTS

Hangzhou ZHEJIANG RIBAO in Chinese 1 Dec 83 p 1

[Article by staff reporter Tang Jinyang [3282 6930 2799]: "The Zhejiang's Commercial Department Systems Fulfill the Tax and Profit Plan Two Months Ahead of Schedule"]

[Text] As of the end of October 1983, commercial department systems throughout Zhejiang had remitted more than 340 million yuan in taxes and profits to the state treasury, thereby fulfilling the plan by 110.45 percent. In comparison to the same period of 1982, there was an increase of 42 million yuan, and the annual tax and profit plan was overfulfilled two months ahead of schedule.

Since 1983, state operated commerce in Zhejiang has given full play to its functions as the principal channel of commodity circulation, has strengthened surveys, studies and market forecasts, and has strengthened competitive capabilities, all of which have enabled continuous expansion of the volume of commodity sales and purchases. By the end of October, the gross value of purchases of daily use industrial products within the province reached more than 3.28 billion yuan fulfilling the annual plan by 91.3 percent, an increase of 13.5 percent over the same period of last year.

After all commercial enterprises implemented the management responsibility system, the enthusiasm for production of staff and workers has been greatly stimulated, and sales of industrial products have been expanded by all possible methods. By the end of October, the amount of commodity sales of the commercial department systems throughout Zhejiang reached more than 6.5 billion yuan, an increase of 7.9 percent over the same period of last year. Expanded commodity sales and purchases alone throughout the province increased profits by more than 33 million yuan. Because commercial enterprises paid close attention to economic results, the number of money-losing enterprises of the commercial department systems was reduced by 19 as compared to the same period of last year, and the amount of money lost by such enterprises was reduced by 350,000 yuan. Throughout the systems, increased income and reduced expenditures amounted to more than 55 million yuan, overfulfilling the task of increasing income and reducing expenditures for the year. In this, increased profits reached more than 12 million yuan due to a decrease in the level of expenditures.

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## FINANCE AND BANKING

### PROBLEMS IN THE BIG FINANCIAL INSPECTION

Beijing JINGJI RIBAO in Chinese 19 Jan 84 p 2

[Article by the Big Financial Inspection Staff Office of Jiangsu Province:  
"The Big Financial Inspection Must Be Seriously and Thoroughly Carried Out"]

[Text] The big financial inspection is presently in the spot-check stage. The manner in which this work is conducted is the key to whether or not the big financial inspection will be done well from start to finish. Judging from the spot-check situation, quite a few problems still exist, and it is necessary to pay close attention to making up deficiencies at the beginning of the year.

Recently, according to our analysis of six units with rather large incomes in Yancheng City, it was discovered that there had been rather severe violations of financial and economic discipline in three of the units, but these violations had not been unearthed by self-inspections and mutual inspections. For example, the self-inspection at the City Motor Vehicles Transportation Company turned up violations amounting to more than 66,000 yuan, but it was discovered through a spot-check that there were violations at this company such as exaggerated costs, hidden profits, arbitrary elevation of the withdrawal rate for special funds, and elevated expenditure standards with the amount involved reaching more than 369,000 yuan, or 5.5 times more than that shown on the self-inspection.

The situation was similar in other cities. For example, at the Home Use Appliances Plant Number One in the city of Suzhou, their self-inspection resulted in the reporting of only an additional 306 yuan for cold drinks. It was discovered through a spot-check, however, that this plant used the method of holding down the amounts of finished and semi-finished products at the end of accounting periods and had a hidden profit of 150,000 yuan thereby avoiding 80,000 yuan in taxes plus failing to declare key funds for communications and energy amounting to 80,000 yuan. At the Plastics Plant Number One in Zhenjiang City, their self-inspection turned up violations amounting to 2,521 yuan, but it was discovered through the spot-check that the actual amount of violations reached 387,000 yuan or more than 150 times that of the self-inspection.

It is recommended that key point spot-checks be strengthened, and that the scope of the spot-checks be expanded appropriately. For those units which do not carry out self-inspections thoroughly, reinspections and supplementary reports should be made within fixed periods. Those for which the follow-up reports are accurate should be treated leniently according to regulations, but those which are found not to have reported accurately through spot-checks should be dealt with severely.

## FINANCE AND BANKING

### BRIEFS

XINJIANG FINANCIAL INSPECTION ACHIEVEMENTS--The region has made remarkable achievements in the third financial inspection. The inspection has been carried out in 4,100 units in the region, particularly in 2,120 key units. A total of 51.58 million yuan was involved in various cases of violation of discipline, of which 28.57 million yuan can be recovered to increase financial income. By the end of March, 17.5 million yuan had been submitted to the national treasury. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 7 May 84 HK]

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## MINERAL RESOURCES

### BRIEFS

QINGHAI GOLD RUSH--This year, a gold rush has emerged in Qinghai Province. Up to the present time, more than 18,000 persons have applied and obtained permits for gold mining. According to estimates of the relevant departments, the number of persons taking part in gold mining is expected to rise to more than 30,000 this year, doubling the figure last year. With effect from September last year, the relevant departments have stipulated that every gram of gold sold to the state by the miners will be paid the official purchasing price plus three yuan as reward, and for eight grams or above, each gram will be paid the official price plus four yuan. Miners are encouraged by the effective measures adopted by the authorities. A group composed of more than 40 persons has sold 149 grams of gold to the state up to the end of April this year. [Summary] [HK250331 Xining Qinghai Provincial Service in Mandarin 1100 GMT 16 May 84 HK]

CSO: 4006/534

## INDUSTRY

### HEILONGJIANG SECOND LIGHT INDUSTRY IMPROVES ECONOMIC RESULTS

Harbin HEILONGJIANG RIBAO in Chinese 17 Feb 84 p 1

/Article by Li Chunkuo /2621 2504 7059/: "Stress Pay Special Attention to Enterprise Consolidation, Promote Technological Progress; Provincial 2nd Light Industry Shows New Improvements in Economic Results"

/Text/ Our province's 2nd light industry is actively engaging in enterprise consolidation and the integration of technological transformation; the economic results have been noticeably improved. There were eight enterprises that had profits of over 1 million yuan last year. The number of money-losing enterprises and the loss figure for the entire industry dropped 34.8 percent and 24.1 percent respectively, from the same period the year before last. The 2nd light industry in twelve cities and counties had eliminated money-losing enterprises.

Last year our province's 2nd light industry implemented the principles of readjusting, restructuring, consolidating and upgrading and it ran enterprises according to the nature and characteristics of a collective economy. There were 487 enterprises that changed from joint to individual responsibility for profit and loss; 358 engaged in democratic elections of plant directors and 1,387 enacted various forms of economic responsibility systems. After having been readjusted, 473 enterprises cut down accounting units and put into practice independent accounting and self-management. Enterprise consolidation has seen initial success; 237 enterprises have been checked and accepted and the level of management has been clearly improved. Second light industry management departments and enterprises everywhere have begun setting up approaches to developing production that rely on technological advances. Last year, 87 technological transformation projects were carried out on leather, plastics, furniture, hardware and other industries at a total investment of over 9 million yuan; over 90 percent of the projects have fulfilled their transformation plans. Of 17 production lines and complete sets of equipment for imported plastic soft packaging, high quality synthetic leather and others, 10 have gone into operation. Our province's 2nd light industry also actively engaged in close technological cooperation and alliance with institutions of higher education and scientific research last year; 21

of 28 technological cooperation projects signed with Shanghai have already seen results. Noticeable results were also achieved last year in the development of new products and product quality. In the entire province, 2nd light industry trial-produced and put into production 152 types of new products, increasing our product types and colors to over 1,000. Over 50 of these were modeled on imported products. Product quality has been noticeably improved. There have been 188 products appraised as top quality, exceeding provincial levels. Flying Horse Brand horse tails won a national silver medal.

12615

CSO: 4006/377

## INDUSTRY

### COMMUNE, BRIGADE-RUN INDUSTRIES IMPORTANT TO RURAL ECONOMY

Nanjing XINHUA RIBAO in Chinese 21 Feb 84

/Article by Guo Baoquan /6753 5508 6898/: "Commune and Brigade-run Industrial Enterprises Have Become Important Pillars of Our Province's Rural Economy Already; Gross Output Value of Commune and Brigade-run Industrial Enterprises of Entire Province Exceeded 15.8 Billion Yuan Last Year, Gross Output Value of Some Counties (Cities) Exceeded 500 Million Yuan"/

/Text/ This reporter learned from the Provincial Commune and Brigade Industrial Management Bureau that the commune and brigade-run industrial enterprises of the entire province had rather large increases in production and obvious improvements in economic results after having further implemented the principles of "readjusting, restructuring, consolidating and upgrading" in 1983.

The gross output value for the entire province's commune and brigade-run industrial enterprises exceeded 15.8 billion yuan in 1983, or 19 percent of the entire province's gross industrial and agricultural output value, a more than 20 percent increase over 1982, and the greatest increase in one year of the past few. Excluding the three counties of Peixian, Xinyi and Dantu that dropped slightly in production, the rest of the province's 64 counties (cities) and 11 provincial-controlled cities and suburbs all increased.

Our province had a total of 38 counties (cities) and provincial-controlled cities and suburbs whose commune and brigade-run industrial gross value of output was above 100 million yuan last year. Of these, Wuxi County, Jiangyin County, Shazhou County, Changshu County, Wujin County, Yixing County, Wuxian County, Wuxi Suburbs and Nantong County all exceeded 500 million yuan.

The economic results of our province's commune and brigade-run industrial enterprises have also clearly improved. Annual wages paid to commune and brigade-run industrial enterprises were approximately 1.85 billion yuan in 1983, an increase of about 75 percent over 1982. A 17.4 billion yuan profit was achieved, a 20.8 percent increase over 1982. Approximately 1.2 billion yuan were paid in national taxes, about a 45 percent increase over 1982.

In order to develop a favorable situation for our province's commune and brigade-run industrial enterprises, management bureaus of these enterprises recently organized their efforts and have each become closely involved in some cities' and counties' attempts at carrying out the spirit of the Communist Party of China Central Committee Document No. One of this year and national commune and brigade-run industrial enterprise meetings. According to the demands of the provincial government to accelerate the pace of creating a new economic situation, they based their efforts on existing enterprise and locality resources and strengths. They have made great efforts at improving enterprise quality, improving economic results, and promoting the continued steady and healthy development of commune and brigade-run industrial enterprises of the entire province.

12615

CSO: 4006/377

## CONSTRUCTION

### XINHUA COMMENTARY ON BEIJING URBAN CONSTRUCTION

OW110825 Beijing XINHUA Domestic Service in Chinese 0001 GMT 7 May 84

[XINHUA reporter's commentary: "Study the Central Authorities' 'Reply,' Create a New Situation in Urban Construction"]

[Text] Beijing, 7 May (XINHUA)--In the past few months, the people of the capital have been conducting in-depth study and discussion on the official reply by the CPC Central Committee and the State Council to the "overall planning program for urban construction in Beijing Municipality." Some urban construction experts pointed out in their discussion that the central authorities' "reply," which has summed up the basic experience of the capital and the country as a whole in urban construction in the past 34 years, is a programmatic document bringing order out of chaos, and that its basic spirit is of universal significance in guiding construction of cities, especially major cities, throughout the country.

There are over 200 cities scattered throughout the 9.6 million square kilometers of land in our country. They play a central guiding role in various construction projects in the surrounding areas. How to successfully develop these cities is an important task, having a vital bearing on the modernization drive, the future of the motherland, and the happiness of unborn generations. The experts pointed out that, in order to create a new situation in urban construction, it is necessary to act according to the central authorities' instructions on urban construction in the capital. It is necessary to have a unified plan, a whole set of rules and regulations for ensuring the implementation of the unified plan, a rational construction system, and highly authoritative leadership, capable of coordinating various sectors.

Judging from the practice in Beijing, planning is absolutely indispensable for urban construction. As early as 1949, Beijing Municipality started to draft an overall plan for urban construction. In 1953 and 1958, the municipality drew up overall planning programs. Though it was not adequate, construction was carried out in an orderly manner. During the decade of internal turmoil, urban planning was labeled "revisionist," and the planning department was closed. As a result, there were no laws, no rules or regulations to follow in urban construction, causing disorder in construction projects, arbitrary seizure of land, unplanned population increases, congested traffic, environmental pollution, and other serious consequences. After summing up historical experience



and lessons, and taking the instruction of the Secretariat of the CPC Central Committee concerning the construction of the capital as the guiding principle, Beijing Municipality conducted investigation and study, solicited the opinion of experts from various circles, as well as ordinary citizens, and formulated, based on the original planning program, the "overall Planning Program for Urban Construction in Beijing Municipality" towards the end of 1982. The program has been put into effect since it was approved in principle by the CPC Central Committee and the State Council. Hence, Beijing's urban construction has entered a new stage. Currently, many Chinese cities are mapping out plans. Beijing's experience tells us that, in carrying out urban construction, it is necessary to consciously apply the law of developing the national economy in a planned and proportionate manner to formulate a unified plan, based on scientific information and the needs of the masses, and conforming to the special characteristics and realities of the city. Only with good planning can urban construction develop in a wholesome manner.

In addition to good planning, it is also necessary to have a whole set of relevant rules and regulations to ensure the smooth implementation of urban planning. Some people say: It is not necessary to follow rules and regulations in building houses or repairing fences. This is an erroneous view, because it not only destroys rational arrangements for planned urban construction, but also causes serious inconvenience to the units which have built houses in violation of the law. Residents of some illegally-built houses, not included in the urban development zone, have to live with grave inconveniences and poor sanitation, caused by the lack of a water supply, sewers, public transportation, and other public utilities. Houses, which are illegally built on underground electric cables or very close to telegraph poles, are unsafe and spoil the appearance of the city. The dismantling of illegally-built houses will inevitably waste a lot of manpower and material resources. In January this year, the State Council promulgated the "urban planning regulations." The Beijing Municipal Government also promulgated the "provisional Regulations on Planning and Management of Urban Construction in Beijing Municipality." The municipal government has promulgated, and is still formulating, other rules and regulations on urban construction and management. This is entirely necessary, because, only by improving the legal system to ensure that there are laws for people to follow, that these laws are strictly observed, that law breakers are punished, and that the punishment is effective, can the plan be put into effect.

The "reply" of the CPC Central Committee and the State Council to the planning of Beijing also points out: It is necessary to actively reform the management system for urban construction, and solve problems concerning barriers between higher and lower levels and between different departments, decentralized construction, and inconsistencies between plan and program. It is necessary to firmly and systematically implement Beijing Municipality's system of unified planning, development and construction. The central authorities' instruction points out the crucial problems in urban construction. For a long time, many Chinese cities carried out a construction system marked by barriers between higher and lower levels and between different departments. The serious decentralization of manpowers and material and financial resources, caused by the system, has become a malady in urban construction. Although good results have been achieved in recent years in unified development and construction in

building neighborhoods and communities in Fuwaidajie, Jingsong, Tuanjieshu, Zuojiashuang and other places in Beijing Municipality, the number of unified construction projects in the municipality as a whole remains small. Aerial photographs taken last May show that there were a total of 1,378 large and small construction projects being carried out within the planning zone of Beijing Municipality, and that the majority of them were independent projects. Such scattered construction will certainly cause decentralization of construction funds, slow down construction pace, lower efficiency, make things inconvenient for the citizens, and thus fail to improve the appearance of the city. This means that it is imperative to reform the old system marked by barriers between higher and lower levels and between different departments, and introduce a new system of unified construction.

The key to eliminating "disorderliness, laxity and weakness," the three inter-related problems existing in the construction of many Chinese cities, lies in changing weak and lax leadership. The CPC Central Committee and the State Council have decided to establish a committee for planning and construction of the capital as the highest authority, entrusted with the responsibilities of examining, approving and putting into effect the overall, short-term and fiscal plans for urban construction in Beijing Municipality, organizing and formulating rules and regulations for urban construction and management, and coordinating and solving problems between various sectors. The CPC Central Committee and the State Council have also required all units and personnel in the capital to obey the leadership of the committee for planning and construction of the capital as far as construction is concerned, thus strengthening leadership over the planning and construction of the capital, as well as providing the experience for other cities. Practice proves that, only by changing the multi-channel leadership in examining and approving planning and construction projects to a powerful centralized unified leadership, can we overcome "disorderliness, laxity and weakness," and create a new situation in urban construction.

CSO: 4006/534

## CONSTRUCTION

### XIZANG TO BUILD 43 CONSTRUCTION PROJECTS

HK240735 Lhasa Xizang Regional Service in Mandarin 1130 GMT 22 May 84

[Excerpts] The central authorities have decided to let nine brother provinces and cities and the units directly subordinate to the State Council help our region build 43 construction projects. People are concerned with the question of what effects these projects will have on the economic and cultural development of our region. Recently, (Guo Hong), XIZANG RIBAO reporter, wrote an article on the relationship between these construction projects and the cultural and economic development of our region.

The article says: Our region has a vast territory and abundant resources. However, in the past, the rich resources endowed by nature were not adequately exploited because of the low educational, scientific, and technological levels. Second, we were also restricted by the communications conditions and energy resources. A considerable number of the 43 construction projects approved by the central authorities will be built, on the basis of macroeconomics, for the purpose of solving the problems of communications and energy resources. Some of the projects will add 15,000 kw to the supply capacity of the Lhasa electrical network, thus improving the power supply in Lhasa. In regard to the development of communications, the surfacing and [words indistinct] of the Qinghai-Xizang Highway and the transformation of the [words indistinct] Highway will enable the region to increase its annual capacity of transporting goods and materials to Xizang from 900,000 tons to more than 1 million tons.

The construction of eight hotels and guesthouses will add 2,700 hotel beds to the hotels. With the development of tourism, other tourist services will also develop. All this can help the peasants and herdsmen double their actual annual income in a short time. The 43 construction projects are also directly related to the cultural and educational development of our region and the building of a socialist cultural civilization with distinctive Tibetan characteristics. Of these construction projects, 13 are built for the purpose of developing the region's scientific, technological, cultural, educational, medical, and public health undertakings.

The article says: It can be seen from the above analysis that the 43 construction projects will directly or indirectly have positive effects on the economic and cultural development of our region. By approving the building of these 43 construction projects, the CPC Central Committee is not taking an expedient measure. It does so because it has some long-term considerations and long-term plans. We should, with confidence and with one heart and one mind, strive to complete the construction projects.

## CONSTRUCTION

### CONTRACT SYSTEM SAVINGS FUNDS IN STATE PROJECTS VIEWED

HK150403 Beijing RENMIN RIBAO in Chinese 9 May 84 p 1

[Report: "Construction of 40 Key Projects of the State Are Carried Out on Contract Basis, Thereby Effectively Controlling Investment and Attaining Better Results in Various Aspects"]

[Text] This reporter [not further identified] learned from the State Planning Commission that in one-third of the 123 key construction projects which are arranged in accordance with a rational schedule, we have implemented diverse forms of all-round responsibility system for investment. This will play a positive role in controlling the budgetary estimate of the investment and in raising the all-round economic results of these capital construction projects.

At present, there are the following four major forms of the all-round capital construction responsibility system: 1. We have a system of all-round responsibility for investment budgetary estimates. For example, in Shanghai's Baoshan Iron and Steel Complex, the construction unit is assigned, by contract, the all-round responsibility for the budgetary estimate. 2. There is the system of all-round responsibility for fixed quotas of investment funds. For example, the projects of large and medium-sized cold stores belonging directly to the Ministry of Commerce have been undertaken by provincial, regional, and municipal commercial departments under all-round responsibility contracts for fixed quotas of investment funds. 3. There is the system of all-round responsibility for construction costs. For example, some of the urban housing construction has been assigned to construction units under contracts of all-round responsibility for per-square-meter cost or for the comprehensive costs of each small housing area. 4. There is a responsibility system called "assigning all-round responsibility for three tasks and ensuring the fulfillment of three targets." For example, the Ministry of Coal Industry entrusted the provincial, regional, and municipal bureaus of coal management with ensuring the fulfillment of the targets for investment, materials, and equipment costs, and for the costs of labor and major contracted work, while the construction units are assigned the all-round responsibility for the fixed quota of investment, the construction period and quality, and the time it will take to put the projects into operation at designed capacity.

The economic results of these projects have been markedly increased since the implementation of the all-round investment responsibility system:

--The budgetary estimate of investment has been effectively controlled. Before the implementation of this system in the first phase of the construction of Baoshan Iron and Steel Complex, there was no limit to spending and the budgetary estimate continued to rise. In 1980 alone, the waste caused by poor management in the construction amounted to more than 100 million yuan. Since the implementation of the all-round investment responsibility system in 1981, the progress of the construction has been accelerated and its costs and various kinds of expenditure have been reduced. As a result, spending has been 190 million yuan below the budgetary estimate. Judging by the present situation, a further 4 percent of the [phrase indistinct] have raised the all-round economic results of our capital construction and thus given rise to a new situation, whereby our construction periods have been shortened, quality has become good, investment funds have been conserved, and economic results have been satisfactory. Since the Ministry of Coal Industry began to implement the responsibility system called "assigning all-round responsibility for three tasks and ensuring the fulfillment of three targets" in its 56 projects of medium-sized and small coal mines, the capacity of which is below 900,000 metric tons, the construction periods have been shortened by 50 percent on average.

--The implementation of this system has facilitated improving the level of management, administration, and technology in the designing and construction of these projects. Since the all-round investment responsibility system was set up in the second phase of the Jinshan chemical complex in Shanghai, contracts of all-round responsibility have been signed level by level in all construction units. As a result, careful calculation and planning have been carried out in all the work and 3.6 million yuan was conserved in the nine construction items that were completed last year.

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## CONSTRUCTION

### CHENGDU EXPERIENCES BRISK HOUSING TRADE

OW241325 Beijing XINHUA in English 1208 GMT 24 May 84

[Text] Chengdu, 24 May (XINHUA)--With nearly 600 apartments sold or ordered in the first four months of this year, housing has become one of the hottest commodities in Chengdu, capital of Sichuan Province.

Sales of 200 newly-built apartments were planned at the beginning of 1984, but when a flood of over 500 applications poured in, the city's real estate administration later added 200 more. It now expects to build at least 1,000 units by the end of the year.

Purchases of older apartments owned by collectives or individuals have also risen sharply, adding to Chengdu's 'flat fever.' More than 5,000 sales of private housing were registered between 1980, when the trade began, and the beginning of this year. But more than 100 private houses were sold in the first three months of 1984, followed by 117 more in April. Negotiations are now underway on a further 200 houses, most of which will go to young or self-employed workers and employees of the city's small enterprises.

Prospective buyers pay one-third of the cost of their apartments, with subsidies from the government or their work-units picking up the balance. The unemployed, and those whose units cannot afford the subsidies, must pay the full amount in cash.

All money earned by the sales is pumped back into new construction to help ease Chengdu's housing shortage, the real estate administration said.

Housing in China is usually built and distributed by government departments. Rents are generally nominal, and barely cover the cost of building maintenance and repair. The country's growing population has touched off a housing squeeze in spite of a huge amount of investment in the construction of apartments in the past 5 years.

Top Chinese leaders including chairman of the Communist Party Advisory Commission Deng Xiaoping have called for reforms which would make housing construction a profit-making industry. Test reform programs have been underway since 1979 in several cities, including Zhengzhou in Henan Province, Shashi in Hubei Province, Changzhou in Jiangsu and Siping in northeast China's Jilin Province.

## CONSTRUCTION

### BRIEFS

LHASA HOTEL DESIGN PLAN--According to XIZANG RIBAO, the regional CPC committee and people's government discussed, examined, and approved on the afternoon of 8 May the design plan for the Lhasa Hotel, one of the largest key projects. Leading cadres of the region Yin Fatang, Redai, and Doje Cedain, the responsible comrades of the regional project construction headquarters, and the comrades of the consultative group sent to Xizang by the CPC central authorities, took part in examining the design plan. [Excerpts] [HK180852 Lhasa Xizang Regional Service in Mandarin 1130 GMT 17 May 84]

NEW SUSPENSION BRIDGE--Lhasa, 23 May (XINHUA)--A steel suspension bridge has opened to traffic on the Yarlung Zangbo River 300 kilometers east of Lhasa. The bridge has a span of 190 meters, the longest among all suspension bridges in the autonomous region. The width of the bridge is 3.5 meters. The Yarlung Zangbo River, which flows across the southern part of Tibet, is one of the highest rivers in the world. Before the bridge was erected, the crossing of the river was accomplished using yakskin rafts. Located in Mainling County, the bridge is the fourth on the Yarlung Zangbo, all built since 1951. [Text] [OW230233 Beijing XINHUA in English 0211 GMT 23 May 84 OW]

CSO: 4020/126

## DOMESTIC TRADE

### JOURNAL ON CHANGES, PROBLEMS IN BEIJING MARKET

HK310952 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 84 pp 43-46

[Article by Shen Yang [3088 2254] of the Beijing First Bureau of Commerce: "New Changes and New Problems in the Beijing Market for Manufactured Daily Necessities"]

[Text] In 1983, our country's agriculture reaped a bumper harvest, diversified operations made further progress, and the income of the peasants recorded sustained improvement. Progress of the light and textile industries was relatively fast. They turned out many new products and there were many new colors, designs, and styles for their products. Employment steadily increased; the salaries and wages of staff members and workers were readjusted. All this has played an important part in promoting the prosperity of the market and increasing commodity circulation. Signs of great prosperity were likewise found in the Beijing market for manufactured daily necessities. A good situation seldom seen before has thus appeared.

#### I. New Changes in the Market for Manufactured Daily Necessities

1. The volume of retail sales of manufactured daily necessities increased. In 1983, in Beijing and its countryside, the volume of the retail sales of social commodities made an all-round increase. The volume of retail sales amounted to 8.26 billion yuan, an increase of 13.9 percent over 1982. Of this amount, the volume of retail sales of manufactured daily necessities was 4.316 billion yuan, being 52.2 percent of the whole, an increase of 15.11 percent over the preceding year, larger than the increase in the total volume of retail sales of social commodities. In particular, transactions in the rural markets were extremely lively and the retail sales of commodities there increased by 13.9 percent, which was larger than the recorded increase of 12.4 percent in the country's rural villages as a whole.

2. The retail sales of various kinds of good, clothing, and wares for daily use generally increased. The increase in the sales of wares for daily use was particularly large. According to statistics, in 1983 compared with 1982, the increases were as follows: food, 13.1 percent, clothing, 14.7 percent; and wares for daily use, 15.4 percent. The relatively large increases in the latter two items indicate that there were greatly enhanced activities



in the market for manufactured daily necessities. Among the commodities for use, the sales of general articles for daily use were rather normal, there being both increases and decreases. Sales of large-size durable consumer goods were relatively large in scale. Aside from a decrease in the sale of television sets because of a shortage in supply, all other categories of goods showed rather substantial increases. For example, in 1983 compared with 1982, the sales of various products increased as follows: recorders, 76.1 percent; electric fans, 76.3 percent; washing machines, 16.6 percent; and refrigerators, even under conditions of insufficient supplies, 120 percent. Electrical appliances for domestic use have become goods in popular demand, enjoying brisk sales not only in the city but also in the countryside.

3. Changes in clothing commodities were rapid, developing in the direction of the medium and higher grades of goods. Since the beginning of 1983, as a result of the readjustment of the prices of textiles and the consumers' preference for medium and high grade materials, rather big changes were seen in the sales of textile goods. According to figures supplied by the Beijing Bureau of Statistics, in 1983 compared with 1982, sales of cotton cloth in the whole city increased by only 6.5 percent, but the increased sales in the other categories were as follows: Woolen piece-goods, 22.2 percent, silks and satins, 12 percent, and chemical fibre cloth, 28.1 percent the largest. In 1982 compared with 1981, sales of garments and apparel dropped, but in 1983 sales increased by 18.6 percent over 1982, mainly due to the following factors: changes in the style of garments, more reasonable prices, holding of two large-scale exhibitions promoting the sale of new styles and new designs of garments, and, in addition, setting up special counters and stations for the sale of garments to middle-aged and elderly people, in this way generally expanding the volume of their sales. In short, the business situation of the garment trade as a whole has greatly improved. Wholesale dealers of the garment industry which had incurred losses in 1982 have reported profits again.

4. Activities in the market for toys and children's wares were enhanced, with large increases in their sales volumes. As a result of the party, government and entire society showing concern for the growth and healthy development of young children and also due to the increase in the rate of only sons or daughters and their parents' willingness to spend money on them, for many successive years there have been increases in the sales volumes of goods for children's use. In 1983, the increases were especially heavy. According to statistics compiled by the New China Children's Goods Store in Beijing's Wang Fu Jing District, the volume of sales from January to November 1983 amounted to 17.65 million yuan, an increase of 22.9 percent over the same period in 1982, of which sales of children's garments increased by 27.8 percent and sales of toys increased by 23.4 percent. Certain power-driven, electronic, mobile, and remote-controlled toys of medium or high grades are very popular in demand.

5. The sales volume of cultural and recreational goods generally increased. In the past year, due to a relatively great development in science and technology, in education, and in recreational activities, the establishment of various kinds of sparetime universities, middle schools and professional training schools, as well as the intensive development in the campaign calling for civilized and polite activities such as the "stressing four, beautifying three, and fervently loving three things" campaign, the demand for cultural and recreational goods has greatly increased. According to statistics compiled by the Beijing Municipality Cultural Goods Corporation, during the year the volume of sales in the city proper increased by 8.4 percent over 1982 and the increase was 14.7 percent if sales in outlying areas were also included. Of the increased sales, paper was 13 percent; athletic goods and equipment; 17.4 percent; and stationary, 7 percent. Rather large increases were made in the sales of cameras and Chinese and foreign musical instruments.

## II. Major Problems Existing in the Market at Present

1. The amount of savings deposits in the city and the countryside has increased rather rapidly and the potential or hidden purchasing power which cannot be realized is rather great. According to statistics, at the end of 1983, the amount of savings deposits of residents in Beijing's rural and urban areas was 2.98 billion yuan, an increase of 800 million yuan over the preceding year, or an increase of 36.6 percent. This volume of savings deposits was equivalent to 36.25 percent of the actually realized, or used, purchasing power of 1982. The ratio is indeed a large one. If not well controlled, it may cause a run on the market and affect commodity prices in general.

2. The production of manufactured daily necessities cannot fully meet the daily increasing demands of the people's material and cultural life. At present, the consumer public has become more selective than before in the purchase of manufactured daily necessities. From the former demand for quantity and volume only, a change has been made now to a demand for good quality products. At present, consumers are looking for new varieties, for styles and designs that are good-looking, and for cheap prices. As for wearing apparel, a change was made from the former stress on durability to principally seeking good quality materials and outwardly good-looking designs, styles, and craftsmanship. As for the articles for use, the quest for television sets moved from small to large screens and from black and white sets to color sets. Washing machines must be of the double-barrel type; recorders should have dual tracks; refrigerators should have double doors, and so on and so forth. These changes in demand have provided new problems in the production and management of manufactured daily necessities.

3. Commodity circulation channels are still not smooth enough. Particularly in respect to the flow of commodities to the countryside, the channels have shown signs of the larger ones being open and clear while the smaller ones are clogged up. Many industrial products have stagnated at the wholesale stage and the peasants have no access to them. The varieties of products handled by wholesalers in the city and in the countryside and by certain

supply and marketing cooperatives far from meet the demands of the peasants. For example, in the city areas, daily necessities handled by wholesalers usually number 16,000 to 17,000 different kinds but in county townships, less than 5,000 kinds of handled by wholesales.

4. The operation of state-run wholesale commerce needs to be improved. At present, wholesale enterprises usually sell more than they buy and goods in stock decrease in volume. Yet, despite a readjustment of the composition of the goods in stock, 10 to 15 percent of the entire stocklist still consists of unmarketable and questionable goods. It is thus necessary to continue readjusting the stock's composition, making replenishments with marketable types of goods. In addition, there appears to be an incorrect grasp of production and marketing conditions and the information gathered lacks reliability. Strengthening market forecasting and reporting is urgently needed to improve management and control and also to improve the quality of the services rendered to production and to the retail sales enterprises and thus to make better arrangements for the market.

### III. Enhance the Spirit: Positively Engage in Operations To Arrange This Year's Market Well

Facing the new conditions and new problems that have appeared in the market for manufactured daily necessities, the state-run commercial enterprises should adopt a proper operating ideology, strengthen their management and operation, and improve their operating workstyle and operating methods in order to fully display their role of being the main channel for commodity circulation and to make good arrangements for the market this year. Concretely speaking, it is necessary to perform the following lines of work well:

1. Adopt a correct operating ideology and raise the consciousness of "facilitating" and "guiding" production.

Commercial work serves as a bridge joining together industry and agriculture, cities and the countryside, and production and consumption. The quality of commercial work done directly affects industrial and agricultural production and also the life of the people. For this reason, a state-run commercial enterprise must adopt a proper and correct operating ideology, truly plant its foothold in the realm of "facilitating production, guiding production, protecting supply, and bringing prosperity to the economic," and firmly establish the ideology of serving production. Production determines circulation. Only when production is developed and the products are marketable can the circulation sector be in a position to supply goods which can satisfy the demands of the people. At present, in general it may be said that there has been an increase in the available supply of manufactured daily necessities. Unfortunately, the supply of certain products still lags behind demand while certain other products, because of their color, design, variety, and style, often cannot meet the consumer's demands. In the case of certain commercial enterprises, the composition of their stocks is still not rational enough, comprising few commodities that are readily marketable but a large number of goods which suffer from stagnant sales. At the end of the third quarter of last year, the Beijing First Bureau of Commerce conducted an item-by-item analysis of some 136 different kinds of commodities and found that of them, the supply for 34 kinds lagged behind demand and the disparity between supply

and demand amounted to over 47 million yuan. Commercial departments must resort to various ways and means to support and help the production departments to increase their output of products urgently needed by the market. They must, of their own initiative, supply information about commodities, help the industrial departments to formulate production plans for goods well, increase the variety and designs of their products, improve the quality of the products, and introduce new products, in this way enriching and making more resplendent the sources of supply to the markets.

2. Develop the rural market and clear the channels for the flow of manufactured daily necessities to the countryside.

Supporting production and satisfying the consumers' demand mainly depend on marketing the products from the production line. Hence, be it a wholesaler or a retailer, intense efforts must be made to "market" its products. Aside from performing well the job of selling manufactured daily necessities in the city area, efforts must still be made to open up the rural market and smooth out the channels for the flow of industrial products to the countryside, thus delivering commodities to the rural villages. In the past few years, agricultural production has developed rather rapidly, purchasing power in the countryside has steadily heightened, and demand in the countryside for manufactured daily necessities has been increasing daily. But in the countryside there has been a universal reflection of the symptoms of "difficulty in buying and difficulty in selling." Difficulty in buying means that the manufactured daily necessities are not available, that the means of production are not procurable, that the style and designs of the garments do not suit the tastes of the peasants, and that it is even more difficult to procure children's wear and garments for the middle-aged and elderly people. State-run commerce should categorically put in the right their operating ideology and management methods, firmly implant the thought of serving the grassroots and the countryside and try ways and means to deliver manufactured daily necessities to the countryside to facilitate purchases by the peasants. They should enforce the measure of the "four on-the-spot supplies," namely, "examine the samples on-the-spot, prepare vouchers on-the-spot, pay on-the-spot, and deliver the goods on-the-spot," in this way facilitating purchases to be made by cooperatives at the grassroots level. Contact men of wholesale establishments should be reformed. They should bring along samples of goods, indices and pricelists to and from the grassroots levels in order to market their wares. In the event that the grassroots-level cooperatives are short of funds, they may, in accordance with the nature of the products, resort to more flexible methods of settlement such as increasing the discount rate, providing a wider profit margin to the grassroots levels, delaying settlement of accounts, acting as go-betweens only and leaving it to the state to collect the accounts, and so on. This will arouse enthusiasm to do business on the part of the grassroots levels. In townships in the countryside with good communications facilities, state-run commerce may set up organs which handle both retail and wholesale trades. They may also enter into joint operating agreements with supply and marketing cooperatives which possess the necessary conditions, serving as organs to stretch to the countryside the wholesale arm of state-run commerce. We should do the utmost to send industrial goods to the countryside and to facilitate on-the-spot purchases by the cooperatives at grassroots levels and by the peasants.

3. Strive hard to improve the quality of the operation and management of the enterprises and reinforce their capacity to meet abrupt changes.

Manufactured daily necessities have the following special features: A large number of varieties, colors, designs, and specifications; a short production period; rapid renovation or replacement; fast changes in market demand; and designs, variety, and quality highly governed by the customer's selection. A single category of commodities can have over a thousand kinds of designs and varieties. This is particularly true with garments which are ever-changing in fashions and styles and which have several thousand kinds of colors, designs, specifications, and varieties. Certain commodities require high technology in management, are often quite difficult to handle, and need post-sale services as in the case of wristwatches, sewing machines, and electrical appliances for domestic use, and so forth. These special features of manufactured daily necessities naturally require the commercial departments handling them to heighten their management and operating level, and to continuously increase their ability to handle contingencies and to suit the ever-changing demands of the market.

In order to improve the quality of an enterprise's management and operations, the enterprise must, first, step up investigation and research, and set up and bring to perfection various kinds of basic work, such as compiling well statistical data on various phases of business such as goods entry, marketing, stock-holding, and so forth, building up the necessary purchasing and marketing channels for various kinds of goods, installing an adequate filing system, and carrying out on schedule analyses of various kinds of economic activities and stock composition, and so on. Second, it must constantly engage in making market forecasts and research on changes in market demands. Wholesale enterprises handling manufactured articles in cities and towns not only should know the changes in market demands in their own localities but also should well understand changes in market demands in localities wherein their goods are marketed. This will enable the management of the enterprise to be in the know and to provide correct information to the enterprise concerned. Third, it is necessary to set up special organs and to designate special personnel to study designs, styles, and varieties of commodities; constantly to research for developing trends in the changes in demand for various kinds of goods; and to provide the production department with information and materials on planning and designing new products. For example, at one time Beijing established a factory for the special purpose of making samples for inner garments and also set up an institute on garment research. All these measures play a definite role in developing new products and "promoting" and "guiding" production. Fourth, strenuous efforts must be made to enforce scientific management and to improve management craftsmanship. We must continuously improve management workstyle and management methods, raise the quality level of services, and strive hard to create one's own special features in management.

4. Strengthen cooperation between wholesalers and retailers so that they can jointly perform well their marketing activities.

Throughout the entire process of commodity circulation, the economic activities of the different commercial enterprises heavily depend on each other.

Wholesale enterprises at various levels (first, second, and third levels) occupy the leading position in commodity circulation. Their purchasing and marketing activities have an important effect on the speed of commodity circulation. Hence, we must set up the ideology of making an upper-level enterprise render services to a lower-level enterprise, making a higher stage of work serve a lower stage of work, and making wholesale enterprises provide services to retail enterprises. The various levels of wholesale enterprises must continuously raise their management level and improve the quality of their services. For example, they should set up sample exhibition rooms, in which are shown the varieties, colors, designs, and styles of the various kinds of commodities they deal in. This will facilitate selection on the part of the purchasing units. In particular, second-level and third-level wholesale enterprises should, to the best of their ability, provide the retail establishments with the varieties, colors, and designs they require, open up their packed cases of goods in the warehouse to allow the retailers to make their own free choice, and in this way enable the retailers to have in their collection a complete range of goods in regard to colors, designs, and variety, and thus meet the various and varying demands of the consumers. Moreover, wholesale establishments should actively help retail enterprises improve their management and operations. The wholesalers have wide contacts, know relatively more about the marketing conditions of the commodities, market movements, and changes in demands. At frequent intervals, they should inform the retailers about market conditions, provide them with market analyses, forecasts, and views. This will coordinate the steps between the wholesalers and the retailers to make good preparations for the market.

In the event the retailers occasionally have an overstock of a certain kind of goods, the wholesalers should, of their own accord, help the retailers to change or adjust their stocks. This will prevent the retailers from stopping further purchases on account of the freezing or shortage of funds. Likewise, on their part, the retailers should actively help the wholesalers to dispose or, or market, goods which they have occasionally stockpiled because of style changes or because of the colors or designs not being exactly marketable. They should also help the wholesalers to organize the take-in or purchase of new products. Only when the wholesalers and retailers wholeheartedly cooperate with each other is it possible to enliven the purchasing and marketing activities of manufactured daily necessities and can commodity circulation be facilitated.

5. Perform well marketing services and gradually set up maintenance and repair service corps.

Concerning department stores, be they large, medium-sized or small, and specialized stores dealing in garments, hats, shoes, and electrical appliances for domestic use, they should devote utmost efforts to rendering marketing services well. In particular, they should make full use of advertisements, show windows, goods counters, and overhead counter exhibits to provide consumers with commodity information, introduce to them the function, usage, method of use, and special qualitative features of the commodities, thus facilitating the customers' purchases. In the case of large-size durable consumer goods of a relatively high technical character such as television sets, recorders, refrigerators, and so forth, they should strengthen their

quality inspection work both at the time of taking in the stock and before their sale. The quality level must be rigidly maintained and substandard goods should be stopped from entering the market and thus doing harm to the interests of the consumers. At the same time, there are the examples of the department stores at Tin Qiao and Xi Dan of delivering goods to the doors of the customers, installing and/or trying out the goods for the customers, and going directly to the customer's household to render maintenance and repairing services.

In recent years, the production and sales of electrical appliances for domestic use have increased by leaps and bounds but the postsale services rendered have been far from adequate. In order to welcome the new situation of electrical appliances for domestic use becoming increasingly popular, all wholesalers and retailers should improve their management techniques, actively train business personnel who have the knowhow and who can perform maintenance and repair work, gradually install maintenance service centers, maintenance and repair network, and a maintenance service system. This will remove the consumer's unnecessary worries and widen dealings in durable consumer goods such as electrical appliances for domestic use.

CSO: 4006/540

## DOMESTIC TRADE

### HEILONGJIANG EASES COMMODITY PRICING POLICIES

SK140527 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 12 May 84

[Text] According to our reporter (Zhang Fushan), in line with the spirit of the forum sponsored by the Heilongjiang Provincial CPC Committee and the provincial people's government in regard to giving free rein to enterprises, the provincial pricing bureau recently issued new provisions with the approval of the provincial people's government in regard to easing pricing policies and relaxing the right of price management.

The new provisions are as follows: Seasonal commodities, such as beer, summer grain products, and fireworks, can be sold in line with seasonal price differences. Plants and firms that are producing these commodities are allowed to sell them at normal prices in busy seasons and to properly cut their prices in dull seasons. Commodities sold at the same price in both urban and rural areas, such as household electric appliances, chemical fertilizer, agricultural chemicals, farm machines, watches, and milk, can be retailed at different prices in urban and rural areas by charging practical and rational transport expenses so as to induce industrial products to go to rural areas and farm products to go to urban areas. It is necessary to raise the price difference between wholesale and retail to low-value minor commodities so as to have grassroots enterprises in both urban and rural areas enthusiastically engage in business transactions. Commercial wholesale enterprises and supply retail enterprises may fix their wholesale prices of daily consumer goods by dividing their goods into multiple degrees. On the basis of the fixed wholesale prices, these enterprises are allowed to discount prices to purchase units preferentially. Retail enterprises may fix the prices of commodities that are processed or turned out by themselves in line with the provisions set forth by the department concerned, and these prices will not be submitted to higher authorities for approval. Retail shops may adopt pricing differences in line with the design and color of commodities, such as cotton prints, knitted wools, towels, mufflers, nylon stockings, and ceramic products. Their pricing differences are limited to within 10 percent. On the basis of retail prices, grassroots supply and marketing cooperatives are also allowed to adopt retail pricing differences in line with the quality of minor farm tools, but they are limited to within 10 percent. It is encouraging that industrial products and nonstaple foodstuffs are sold in small packages so as to make things convenient for both buyer and seller. Retail shops that have packed their commodities are allowed to adjust their prices by charging additional and rational packaging expenses.



## DOMESTIC TRADE

### BRIEFS

GUANGDONG COMMODITY PRICES--According to the provincial statistical bureau, in the first quarter of this year, the general level of commodity prices in the province remained stable and negotiated prices continued to drop. Except for increases in the prices of medicines, fresh and dried fruits, dyestuffs, and means of agricultural production, the prices of other commodities remained stable or dropped. There appeared a new situation of stable food prices in state-run commerce. There have been ample supplies of meat and eggs and the prices are stable. The supplies of aquatic products have continued to increase and the prices have dropped. On average, the prices of vegetables in all cities of the provinces have dropped by 11.6 percent, marking the best situation in the last several years. The negotiated prices of various commodities have also dropped on the whole, by 6 percent. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 May 84 HK]

CSO: 4006/534

## FOREIGN TRADE

### UTILIZATION OF FOREIGN CAPITAL BY AGRICULTURAL DEPARTMENTS

Beijing JINGJI RIBAO in Chinese 25 Jan 84 p 1

[Report by staff correspondent Tian Jijin [3944 4480 6855]: "Interview with an unidentified responsible official in the Ministry of Agriculture, Animal Husbandry and Fishery on How to Strive for Utilization of Foreign Funds by Agricultural Departments"]

[Text] On 23 January, a responsible official in the Ministry of Agriculture, Animal Husbandry and Fishery talked to this reporter on questions relating to striving for utilization of foreign funds by agricultural departments in China.

He said that an important measure for accelerating development of China's agricultural, animal husbandry and fishery is to obtain and utilize foreign funds by employing all kinds of channels in a planned, purposeful and orderly manner, by adopting various forms, and by positively and reliably acting according to one's capabilities.

Since the 3rd Plenary Session of the 11th CPC Central Committee, China's agricultural departments have established 91 economic and technical cooperative projects with several international organizations and countries through various channels by signing bilateral and multi-lateral agreements and contracts which have provided more than \$606 million in foreign funds for utilization. After these projects are completed, they will produce excellent functions in terms of developing and utilizing agricultural resources, accelerating the technical transformation of agriculture and the development of agricultural scientific research and educational programs, and promoting the development of the rural commodity economy.

Concerning the principles and scope for utilizing foreign funds in China's agriculture, the responsible person in the Ministry of Agriculture, Animal Husbandry and Fishery said that on the basis of the principle of equality and mutual benefit, we should obtain and utilize foreign funds to the utmost under the following conditions: these construction projects are in conformity with the strategic targets, priorities and overall arrangements for China's agricultural development; these construction projects have already been incorporated into state planning and planning at other levels; these construction projects have tangible economic results for China's agricultural, animal husbandry and fishery development; and these construction projects are able to increase the quantity

of China's agricultural commodities and rural income.

This responsible person said that in future the key points and direction for China's agricultural departments in utilizing foreign funds will be: (1) carry out intellectual development by continuously strengthening agricultural scientific research and education, technology popularization, and training of qualified personnel; (2) focus on development of areas where production potential is relatively great and on construction projects in impoverished areas demanding prompt attention; (3) focus on those construction projects which can quickly meet the demands of large and medium-sized urban area residents for milk, poultry, eggs, meat and fish; (4) focus on those construction projects which can strengthen the processing and comprehensive utilization of agricultural and sideline products and accelerate development of the feed industry; and (5) focus on technical transformation, renovation and updating of key enterprises in farming, animal husbandry and fishery as well as on development projects in new fields.

12623

CSO: 4006/287

## FOREIGN TRADE

### SUPPORT OF CONTRACTS FOR FOREIGN PROJECTS, LABOR SERVICES

Beijing JINGJI RIBAO in Chinese 25 Jan 84 p 2

[Article by Wang Rangshan [3769 6245 1472]: "Vigorously Support Contracts for Foreign Projects and Labor Services"]

[Text] Contracts for projects and labor services are component parts for China in opening to the outside world and in enlivening the domestic economy. Utilizing contracts for projects and labor services plays an important role in such things as strengthening friendly cooperation between China and the peoples of the Third World, supporting their economic development, and increasing foreign exchange income.

Beginning in 1979, all concerned departments and commissions under the State Council established successively 14 general corporations and four branch offices to handle such things as construction projects, roads and bridges, exports of complete sets of equipment, and civil engineering projects. All provinces, municipalities and autonomous regions also established successively foreign contract project corporations. Since being established, these corporations have received strong support from the Bank of China in the form of such things as funds, credit and provision of guarantees.

Aside from having certain technical capacities, certain foreign exchange assets are also required for foreign contract projects and labor services. The Bank of China has not only provided foreign exchange assets, but has also extended favorable interest rates on loans so as to strengthen the competitive ability of the foreign contract project corporations. Since 1979, the Bank of China has approved and extended 29 loans amounting to more than \$380 million for the purchase of construction equipment and construction materials.

The Bank of China also positively coordinates support for the necessary letters of guarantee when the foreign contract project corporations begin to initiate contract projects and labor services. Since 1979, there has been a total of 360 letters of guarantee worth more than US \$200 million to cover entering of bids, fulfilling agreements, and making advance payments on behalf of all the contract project corporations. In order to assist the corporations in developing foreign operations and to resolve concrete difficulties in the contract projects when funds were urgently required, the Bank of China opened seven overdraft accounts in such countries and areas as Hong Kong, Macao, Iraq, North Yemen, Libya and Nepal on behalf of corporations engaged in construction projects, roads and

bridges and metallurgical projects with overdraft funds reaching US \$13.5 million.

At present, these corporations have, in more than 30 countries and regions such as the Middle East, Africa, Southeast Asia and the Pacific, contracted for railways, roads, bridges, air ports, dams, reservoirs, hydraulic and thermal power stations, water conservancy works, factories, mines, government office buildings, school dormitories, residences, and farming, animal husbandry and fishery. These corporations have also supplied large amounts of labor force on behalf of the contracting foreign corporations which has assisted the economic development of the Third World countries and which has contributed to increased foreign exchange income to the state.

12623

CSO: 4006/287

## TRANSPORTATION

### CHINA PROMOTING CONTAINER TRANSPORT

Beijing JINGJI RIBAO in Chinese 28 Jan 84 p 2

/Article: "Our Country's Container Transport Greatly Developed; A total of More Than 4.65 Million Containers at Over 6.27 Million Tons Handled Last Year"

/Text/ Our country's container transport totalled 4.656 million containers at 6.277 million tons last year for a 17.4-fold increase over 1978.

Our country opened a new sea container route to Europe last year and put three fully container ships upon it to begin service, thereby increasing our ocean-going container transport shipping lines to 18, 14 of which are regular cargo lines. The ocean transport fleet commands in all more than 100 full container and semi-container ships and multiple-purpose ships. Along the coast nine ports already handle international container business. Railway departments opened 31 new stations last year handling domestic container service. At present, the 27 provinces, municipalities and prefectures, excluding Tibet and Xinjiang, have already established 211 handling stations. The 14 container stations upon the Beijing-Guangzhou railway line alone transport 72 percent of the volume of ordinary package cargo carried. Other departments such as river cargo, the postal service, civil aviation, etc., have also greatly developed in container transport.

Container transport handled by joint motor companies has also developed. Our country founded new international container motor transport companies which are jointly generated by more than three departments and improved port to inland transport abilities last year. Tianjin Harbor's motorized container import and export volume increased to 68 percent of harbor handling capacity last year, from 20 percent in 1982.

Social and economic results have greatly improved with the spread of container transport. For example, since electron tubes and glass goods have utilized container transport, the damage rate has dropped from 25 percent down to 8 percent at a savings of 2,400 yuan per ton.

Last year the whole country adopted plate glass conveyance by container and the damage rate fell from 8 to 2 percent, glass damage worth up to 7.33 million yuan was reduced by 360,000 standard crates. Nationwide, 13 large and medium sized glass plants adopted container (frame) transport of over 6 million standard crates of plate glass, at an annual savings of over 60,000 cubic meters of wood worth over 10 million yuan.

12615

CSO: 4006/377

GENERAL

JOURNAL ON DEVELOPING QINGHAI PROVINCE

HK220316 Beijing JINGJI YANJIU [ECONOMIC AFFAIRS] in Chinese No 3, 20 Mar 84  
pp 54-58

[Article by Xie Shusen [6043 2579 2773] of the Qinghai Academy of Social Sciences and Chen Bing [7115 0393] of the Qinghai Construction and Materials School, dated September 1983: "Developing Qinghai Province and Internal Migration"]

[Text] The migration of people to Qinghai Province and the opening up of wasteland there has been going on now for 2,000 years with a variety of different feelings toward it. Since liberation we have also carried out migration work to open up wasteland there and opinions have also varied. In his article "Historical Investigations Into Migration to Qinghai and the Opening Up of Wasteland" (see JINGJI YANJIU 1983 No 5), Comrade Feng Haohua put forward his own personal opinion of organized migration. We believe that the conclusions drawn in this article--"In view of the special conditions in this rather desolate province of Qinghai, the many pilot schemes to bring people from outside into the province to undertake agricultural production have all failed"--contradicts the basic truth about the history of Qinghai Province and should be discussed. Below we wish to illustrate the historical facts concerning migration into Qinghai and analyze and probe the relationship between migration into Qinghai and the opening up of Qinghai and thus enable Comrade Feng Haohua to understand the true nature of the situation.

I. The History of Opening Up Qinghai Is the History of Migration

According to archeological discoveries, as long as 4,000 years ago during the new stone age there were people inhabiting the Qinghai plateau raising animals and carrying out early agricultural production. According to "Houhan Shu-Xi Qiang Chuan," the forefathers of the Xi Qiang migrated westwards to Qinghai from today's Hunan Hengshan and they lived by moving from place to place in search of water and grass, scattered throughout the Qinghai region. During the period of Han Wu Di, Qinghai officially became part of the system of prefectures and counties and was thus transformed from being a "border prefecture" into an "internal prefecture." During this time the population of



the Han race was increasing considerably and the Han people brought advanced production technology and culture from the central plains to the eastern section of Qinghai and thus it was during this time that plowing with oxen and iron plows and crop rotation were introduced to the Hehuang Valley. Following the military defeats and victories of the Xiongnu and the Qiang, a small number of the Qiong gave up animal husbandry and took to agriculture and thus continued to inhabit the lower reaches of the Huangshui, while the vast majority moved to the central Huang at Xihai Yanchi.<sup>1</sup> Here they continued their lives raising animals. In order to consolidate their rule in the Hehuang region the Han Dynasty rulers began the first migration into Qinghai.<sup>2</sup>

Planned migration in ancient times had a far-reaching affect on the developmental history of Qinghai Province and this was particularly so with Zhao Chongguo's policy of having garrison troops or peasants open up wasteland and grow food grains. In 61 B.C. after putting down the armed rebellion of the Xiongnu and the Qiang, Commander Zhao Chongguo officially proposed that 10,000 garrison troops and peasants open up the wasteland and grow good grains. This was approved by the Han emperor and people from the central plains were thus taken to Qinghai to do this work. According to the records, an enormous amount of work was carried out in the eastern section of Qinghai, roads were built, posts established, irrigation systems built, thus greatly changing this area of Qinghai. In economic terms, this work meant that the provisions of vital grains and fodder needed by Qinghai's military and government personnel were greatly reduced, in political terms it meant that the Qiang people were quickly subdued. The enormous success of this policy meant that Zhao Chongguo entered the history books as being the first to make people from the central plains migrate to Qinghai to develop the area and thus he was eulogized in poetry and song for being a pioneer.

In the latter years of the Western Han, Wang Mang opened up and established Xihai Prefecture as a place of banishment and exile. According to "Han Shu Wang Mang Chuan" criminals were sent to this area by the thousands. This thus expanded the scale of development and increased the numbers of people involved in opening up the wasteland. After Wang Mang, the rulers of the Eastern Han placed a great deal of importance on the policy of people migrating to open up the wasteland. They believed that opening up the Hehuang would "cut off the links between the Qiang and other national minorities in the region" and thus "the country would be rid of its worries in the west."<sup>3</sup>

Thus the policy of opening up the wasteland and growing grain foods was elevated to the status of a national policy. Thus from 102 A.D. to 132 A.D., apart from 13 years of wars, this policy was carried out in what today is Minhe, Hualong, and Western Ningxia and this had an enormous affect on the economic development of Qinghai Province and greatly promoted cultural improvements in the Qiang people in the area.

From the 3d to the 6th centuries A.D., apart from a brief period of unity during the Western Jin, there were constant wars in the central plains as a result of separatist forces in conflict with each other, but in contrast to this, Qinghai Province was a very stable and quiet place. During this period there

were three major migrations into Qinghai. The first was a large number of people who decided to take refuge in Qinghai Province and once there, set about developing the land. The second influx was several tens of thousands of Xianbei people and Tugu soldiers from Liaodong. The third influx was immigrants attracted by the commercial development of the region. After the 4th century, the Hexi corridor was embroiled in wars and thus travelers and traders going east or west had no choice but to pass by Western Qinghai and hence Qinghai became another important route to the west in addition to the ancient silk road. Commercial development speeded up commercial interest and thus this attracted many more immigrants. These various immigrants all had an important stimulatory effect on the development of agriculture in Qinghai and thus the mixing of the peoples in Qinghai reached a new period. Apart from a small number of Qinghai's Qiang people who moved southwards, most of the Qiang merged with other races and thus ceased to exist as a separate race.

Another very obvious improvement in the level of agricultural production in Qinghai took place during the Ming Dynasty when there was a westward migration of Han people on an unprecedented scale. In order to prevent the Menggu nobles from staging a comeback a great deal of attention was paid to strengthening the northern and western border regions by the Chinese emperors. Situated as it was in the northeast of China, vulnerable to invasion, Qinghai thus became the center of policies such as "defending tenaciously and protecting the borders, to prevent invasion."<sup>4</sup> Thus developing the wasteland and growing food grains became an important policy aimed at resisting the enemy. In order to make the policy easier to manage, the Ming Dynasty government divided the policy into the opening up of wasteland by civilians and by the military. From historical records it can be seen that opening up of wasteland and growing of grain crops by the military represented the most important source of food and fodder for the Ming Dynasty armies stationed in Qinghai. The Ming Dynasty government at the same time also introduced the policy of moving people to the border regions and thus implemented the opening up of wasteland and growing of grain foods by civilians on an equally large scale. Immigrants to Qinghai mostly came from Jiangsu, Hunan, Hebei, Shanxi, Shaanxi, and Gansu. In order to improve the policy of opening up wastelands and growing grain foods, the Ming Dynasty government made official announcements in 1438 concerning the scale of the policy. And thus the population of Xiningwei, which at that time was only about 10,000, was ordered to "manage 2,756 qing 46 mu" and "grow 25,012 dou 6 seng of grain foods."<sup>5</sup> Because of the importance that the Ming Dynasty attached to opening the wastelands and growing grain foods, the area developed very fast and civilian land development in Xiningwei increased to 6,690 qing. The unprecedentedly large influx of Han people from the east at this time meant that not only was the area of cultivated land in Qinghai vastly increased, in addition changes occurred in the population and racial make-up of the region and thus from the Ming Dynasty on the Han population in eastern Qinghai outnumbered the national minorities.

From the Qing Dynasty to the time of the Nationalist Party's rule, while governments have encouraged construction and the agricultural opening up of wasteland to agriculture, the reactionary rulers used this policy as a pretext for their own private gain and hence official agricultural development of wastelands saw little real result. However, spontaneous migration still continued unabated.

According to statistics the population of Qinghai Province was 1,013,000 in 1936 and yet a year later it stood at 1,119,600, an increase of 18 percent. In the 1930's, when mortality was very high in China, this kind of growth rate was clearly far greater than the natural growth rate and it was the large numbers of immigrants which made up an important part of this population phenomenon.

From the above-outlined sketch of Qinghai's history we can see the following three things:

1. Marx once said: "The base history of population movement is the base history of human nature, thus the base rules of population movement are natural rules and hence are the natural rules of mankind within one specific period of history. These natural rules are founded on specific developmental levels of the productive forces and this specific developmental level of the productive forces is determined by the historical progress of mankind itself."<sup>6</sup> Population migration, an important part of population movement is also a natural historical process, and it has the social function of ensuring a balanced development between "the developmental level of the productive forces" and "the historical progress of mankind itself." As everyone knows, in specific material production activities, there is an objective demand for mutual coordination between the production of material means and the production of the labor force and coordination of these two kinds of production takes place under the limitations of many different mechanisms, one of which is population migration. In socioeconomic activities, population migration works in the following way: when there is a surplus of labor in a certain area and when there are shortages of labor in other areas, as long as there are no insurmountable problems, then the migration of the population from the former area to the latter is an inevitable and necessary trend. In actual fact, population migration promotes the balanced movement of the economy and society.

2. Since the 1st century B.C. when the opening up of wasteland and cultivation of grain foods began, despite the social turmoil that was witnessed and the failures and successes of governmental policies in opening up wastelands in Qinghai, the migration of people into the area in order to develop the land has almost never stopped, although it has been done in different ways under different conditions. It first began with official development of wasteland and cultivation of grain foods and this was a form of organized and planned migration and was able to ensure that cultivation was developed quickly, while securing the borders and increasing income. There then followed a natural westward movement by people of the central plains to open up and cultivate land in Qinghai and this was a form of spontaneous migration. The advanced technological knowledge that these people brought with them slowly but surely promoted economic and cultural development in Qinghai and this represented an important factor in Qinghai's progress. The third stage was the move towards Qinghai of nomadic peoples and this too was also a form of spontaneous migration which also spurred on racial integration. During this process most of the nomadic peoples absorbed the advanced culture of the Han people and this thus brought speedy improvements to the depth of their own races' civilization. The Han people also drew a great deal of nourishment from this contact and the result was improvement in the quality of the populations of all races and an increase in Qinghai's economic strength.

3. The history of agricultural, scientific, and cultural development in Qinghai is in fact a history of arduous development and opening up and in certain senses it is also the history of migration. Clearly the process of changing Qinghai from a wasteland into good agricultural land was a process of arduous development and opening up. Thus if there had been no large-scale migration and if people had not settled down and got on with their lives on the Qinghai plateau, then the westward migration of the Chinese peoples would have been impossible. The opening up of Qinghai throughout history has always been closely linked to migration and these immigrants represent some of the historical founders of Qinghai Province.

## II. Post-Liberation Migration To Open Up in the Wastelands...Promoted Economic Construction in Qinghai Province

After liberation there were enormous changes in agricultural production in Qinghai Province. In 1949 total grain production for the entire province was only 600 million jin while in 1978 it had increased to 1.8 billion jin, a 2.1-fold increase. Such successes as these were due to many different factors but on no account should we ignore the effects of the expansion of cultivated land. In 1949 the amount of cultivated land in Qinghai amounted to 6,816,000 mu while in 1978 it was 9,233,700 mu, an increase of one-third, and agricultural areas expanded to include Huanhu Hainan and other places. Cultivated and agricultural land in the eastern section of the province has clearly decreased in terms of the percentage of the province's total agricultural land it represents and by 1978 it only represented 72 percent of the total and from this we can see that agricultural development in Qinghai since liberation is closely bound up with the development of wasteland, and that this development of wasteland has been brought about as a result of domestic migration.

After liberation migration to Qinghai took place in various forms and was not simply in the form of organized migration as Comrade Feng Haohua concluded. Rather it took place in some forms which lasted for much longer periods than organized migration, involved a far greater sphere of cultivation and development of wasteland, and had enormous economic results. For example starting in the 1950's, the state gradually built up a collection of reform-through-labor farms in Qinghai and sent quite considerable numbers of criminals there to develop and open up the wasteland. In addition, the dependents of some of these criminals who had served their time and stayed on to be employed on the farms also moved out to Qinghai from other areas of China. What used to be inhospitable wasteland and barren country has now been transformed into large areas of agricultural land. The reform-through-labor system now has about 1 million mu of agricultural land and grain and oil output totals about 200 million jin a year, with 150,000 head of various kinds of domestic animals and equipped with a considerable number of farm machines and agricultural equipment. Thus these reform-through-labor farms have grown into an appreciable force in the development of agriculture in Qinghai. After liberation the constant stream of those spontaneously moving westward within Qinghai and into Qinghai in order to open up the wastelands never stopped and during the Cultural Revolution it increased. These spontaneous migrants worked ardously to open up agricultural land in this vast and sparsely populated

region and in a very short space of time they achieved very good results. Thus, for example, Xiaozaozhuo, near Geermu had always been a very barren place, but after some years of development by the spontaneous migrants in the area, it developed into a natural village with a current population of several hundred, producing several hundred thousand jin of grain and food per year and thus providing the state with large quantities of commodity grain. Thus in general the development of the wasteland by the migrants has within the short space of 30 years expanded Qinghai's agricultural land to the vast lands to the west of the Riyueshan and this has increased arable land to around 2.4 million mu. On this newly developed arable land wheat yield per mu is now more than 2,000 jin while rape seed yield per mu is around 700 jin, and thus the total output of agricultural products in Qinghai has been greatly increased. This has thus provided the people of Qinghai Province and economic construction there with large numbers of agricultural and animal products and it has also promoted the rational development of agricultural distribution in the province. In addition it has laid down the material conditions for future development of an even greater scale in Qinghai. The successes achieved within the last 30 years are incomparable with what any one of the various dynasties in the past managed and we have no basis whatsoever on which to deny this fact.

Following the founding of the socialist system, migration in Qinghai Province took on completely new aims and a completely new content. With the aim of getting migrants to open up wastelands for the benefit of the people, and starting out from the requirements of the socialist cause, and by respecting the principle by which population moves directionally from density to sparsity, Qinghai Province has achieved enormous successes by integrating free migration and forced migration. This should be fully confirmed and acknowledged. However, we should also note that after liberation, planned migration work did at one point suffer under the erroneous guiding ideologies of "leftism" and thus the basic aims of socialist migration were contravened and unsuitable forms of migration were adopted with the result that migration work was severely damaged, as too was the prestige and good name of migration and the development of wastelands. This we must face up to and we should earnestly assess its implications. We believe that the fundamental lessons learned from the failure of planned migration in Qinghai were, first of all, that on no account should the style, scale, and intensity of migration contravene the needs of the national power. Thus what happened was that there was unitary planned migration on too great a scale and at too high a rate. Not long after liberation, with so much work to be done, rural migration was adopted on a massive scale in order to develop Qinghai and this was clearly not within the capacity of the country. Although the state allocated migration investments, the measures were utterly inadequate and it was hard to get any real results. Secondly, in the process of developing the wastelands there was a tendency to ignore the wise words of Engels who wrote "If man subjugates nature by relying on science and creative genius" then this will inevitably lead to "nature seeking revenge on man."<sup>7</sup> During the 1950's, Qinghai saw organized migration and neither the early preparations nor the organization of production and living during the actual process of developing the wastelands had any scientific basis, rather it was all entirely carried out wantonly and subjectively. Abandoning science inevitably leads to punishment by the natural world. Finally, for many years planned migration and development of wastelands in Qinghai lacked any specific

methods or rules and this was another of the reasons for its failure. In international terms, because of the important affect that population movement has on population distribution and population structure, it has received a great deal of universal attention in many countries, and indeed many countries have drawn up exhaustive migration laws and have set up specialized migration management bodies to coordinate the relationship between migration and economic and social development. China did not pay attention to this for many years, and apart from forced migration, other forms of domestic migration and development of wastelands have basically remained at a stage at which they lack any firm methods or laws for implementation and as a result this kind of work has simply not been handled. At the same time, the organized migration and development of wastelands carried out in Qinghai has never officially been included in national economic planning with the result that basic requirements cannot be guaranteed and turning a blind eye to extremes occurs. In addition migration and the development of wastelands has lacked a unified policy behind it and there has been no stable, strong, and effective migration management body. All of these factors have created unfavorable aftereffects in this important area of work. Despite these facts, we do not believe that one can draw the conclusion that "since liberation, the many large-scale moves to organize migration in Qinghai and develop the wastelands, have all basically failed."

### III. Planned and Organized Migration and Development of Wastelands Is a Strategic Requirement for Future Development in Qinghai

At the same time as stressing that the forms of social production determine population processes, the founders of Marxism also stressed the restrictive role that the latter plays on the former. Marx and Engels pointed out that "the first premise for any human history is doubtless that one living human being exists."<sup>8</sup> Marx pointed out that "population figures and population density are the material premises for the division of labor within society."<sup>9</sup> Thus we can see the important restrictive role that population movement plays on society and economics. Population distribution is thus the result of previous economic movements and it is also the premise for future economic development and thus plays an important role in population processes.

When one compares the state of China's population with the demands in economic construction, we can see many different problems that exist and apart from the contradiction between the quality and quantity of population which is already receiving serious attention in China, problems of imbalance in population distribution are also very serious. If we divide up the whole of China into east and west with a line running through Mohe, Lanzhou, and Tengchong, then we can see that 90 percent of the country's population inhabits the eastern 50 percent of the country's territory where the average population density is more than 200 people per square kilometer and in the case of some provinces it is as high as 590 people per square kilometer. The western 50 percent of the country is home to only 10 percent of the entire population and here population density is about 10 people per square kilometer and in some autonomous regions it is as little as 2 people per square kilometer.

Qinghai is one of the country's largest provinces with one of the lowest populations and one of the lowest population densities. The total area of the province covers some 720,000 square kilometers, and it is the fourth largest province in the country. Its total population is 3,895,700 people, 3.77 percent of the country's total population. The average population density is 5.38 people per square kilometer, about 5 percent of the national average. In terms of total population and population density of China's 29 provinces, cities, and autonomous regions, it occupies the 27th and 28th places respectively. Population distribution inside the province is extremely unbalanced and 67 percent of the population is concentrated in an area making up 2.58 percent of the total province, namely the Hehuang Valley, and in some of the counties in this region population density is already as high as 160 people per square kilometer. In the vast and empty remainder of the province, population density only reaches on average one person per square kilometer.

In order to solve our country's population problems we should on the one hand control the total population and improve the quality of the population thereby solving the contradiction between quality and quantity. At the same time, while the economy develops we must readjust the population distribution and solve the problems of extreme imbalances in population density. Migration, as a fixed link in preserving a social system, functions by slowing down and even completely solving the extreme imbalances in population density and promoting mutual coordination between population movement and economic development and as such should receive our fullest attention.

In recent history mankind has repeatedly proven that development of large areas of virgin land and changes from unitary economies to composite economies invariably make new demands of the labor force. Migration is thus a means of satisfying this demand. This has been proven in the economic development of such countries as the United States, Australia, and Brazil. For example, if in the United States there had been no immigrants then there would have been no development of the West and there would then have been no quick development of American industry and the entire economy of the country. In some senses we can say that without immigrants there would be no America. This is just as Marx and Engels said, "It was the European immigrants which made it possible for the United States to carry out large-scale agricultural production, and the competition of this agricultural production shook the foundations of the European system of small and large land ownership. In addition these immigrants have also made it possible for the United States to develop its rich industrial resources on an enormous scale and with enormous strength with the result that it will very quickly be able to topple the position of industrial monopoly that Europe, and in particular Britain has enjoyed to date."<sup>10</sup>

China's social system and situation is not the same as that of the United States. ~~Ours is a socialist country and we can on no account resort to the sword and~~ fire to force people to migrate nor can we build a heaven for the rich out of the bones of these migrants and developers of the wastelands. At the same time, China has rich population resources and it does not need migration from abroad. However, in terms of making use of population movements to adjust population distribution and promote economic development, the historical experiences of the United States could be of value to our country.

We believe that in strategic terms the development of Qinghai is imperative and migration into Qinghai is also imperative. Migration and development of wastelands is the answer to future large-scale development of the north and west. Planned and organized migration and development of wastelands in many diverse forms will not only reduce the pressure of population density in the eastern half of China, and help gradually solve China's population problems, it will also provide the most important premises and conditions for the massive strategic development of the north and west and the speedy development of the economy.

#### FOOTNOTES

1. See "Xi Qiang Chuan" "Hou Han Shu" Vol 5, Zhonghua Publishing House, Section 2, p 2877.
2. See "Xi Qiang Chuan" "Hou Han Shu" Vol 5, Zhonghua Publishing House, Section 2, p 2877.
3. See "Xi Qiang Chuan" "Hou Han Shu" Vol 5, p 2885.
4. See Zhang Tingyu "Tu Da Chuan" "Ming History," Zhonghua Publishing House 1974, p 3727.
5. See Su Xian "Shui Ji Zhi" "Xi Ning Zhi" Qing Shun Zhi block-print edition "Opening Up Wastelands and Growing Foods," p 71.
6. Marx: "Critique of Political Economics" Part 3 Renmin Publishing House 1963, p 243.
7. Engels: "On Authority" "Selected Works of Marx and Engels" Vol 2, p 552.
8. Marx, Engels "German Ideology" "Collected Works of Marx and Engels" Vol 3, p 23.
9. Marx "Das Kapital" Vol 1, p 391.
10. Marx, Engels: "The Communist Party Manifesto" Forward to 1882 Russian publication "Selected Works of Marx and Engels" Vol 1, p 230.

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## GENERAL

### LI LIAN DISCUSSES SANJIANG PLAIN DEVELOPMENT

SK140514 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 13 May 84

[Text] On 8 May, Comrade Li Lian, secretary of the provincial CPC committee, pointed out at a meeting on discussing the Sanjiang Plain overall development plan that, in developing the Sanjiang Plain, we should break away from the outdated patterns, implement an open policy, and blaze a new trail.

He said: The Sanjiang Plain is a treasured land because it has very rich natural resources. We should expedite the comprehensive improvement of this plain. Developing and improving a plain is different from reclaiming land for farming at the expense of destroying forests and grassland in the hope of turning all land into arable land. We have suffered losses from doing this. Agricultural production should be diversified and land should have various functions. Therefore, we should open prospects for the various functions of all the natural resources of the land, attach equal importance to developing arable land and land for agriculture, forestry, animal husbandry, and fishery, make overall planning, and utilize the resources rationally.

He held that the principal natural disasters of Sanjiang Plain are floods and waterlogging. Preventing floods and draining waterlogged fields means draining away water and storing it up. If possible, we should drain waterlogged areas. We should not, however, force ourselves to try to drain waterlogged ponds that cannot be drained. We should deepen them or heighten their banks for storing water for fish raising. Sanjiang Plain has plenty of rainfall and water resources, but it has both good and bad aspects. The crux of the matter is whether we can act in accordance with natural law, exert our utmost to overcome the disadvantages, make the best use of the situation, and make full and rational use of the water resources.

He stressed: In developing the Sanjiang Plain, we should stress economic results and commodity production. We should develop agriculture, forestry, animal husbandry, sideline occupations, and fishery in an all-round manner. However, just stressing this is not enough. Only by expediting the development of the processing industry can we double the output of all other industries and achieve great economic results. In producing products, we should also think over what is needed in the domestic and foreign markets. We should not produce what we can produce, but should integrate the advantages of Sanjiang Plain's natural resources with market needs, develop and utilize them rationally and produce more marketable products so as to promote the development of the Sanjiang Plain's commodity economy.

Li Lian also said: We need state investment in developing the Sanjiang Plain. In developing and improving it, however, we should implement an open policy with the joint efforts of the state, collectives, and individuals. First, we should ease restrictions inside the province and support the cities near the Sanjiang Plain. The barren hills, wasteland, grassland, and marshland should be contracted to the collectives and individuals and whoever invest in and work there may take the benefits.

Second, we should boldly invite investments, technology, and talented persons from the provinces to develop this plain jointly. However, no matter what methods we adopt, we should obey the overall development plan of the Sanjiang Plain. Arbitrary development and reclamation are not permitted.

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## GENERAL

### MA HONG VIEWS TAXES, PROFITS, OUTPUT VALUE

HK111500 Beijing RENMIN RIBAO in Chinese 7 May 84 p 5

[Article by Ma Hong [7456 3163]: "Make Great Efforts To Realize Synchronous Growth of Taxes, Profits, Industrial Output Value"]

[Text] An Important Task

To strive for a synchronous and a faster growth of tax and profit deliveries and output value is an important issue that awaits China for study and solving in its social economic life. The so-called synchronous growth generally means that two things roughly grow at the same rate. The present economic situation in China is very fine. In the past year, the industrial and agricultural output has increased by a large margin, the scale of key construction projects has expanded, and the people's livelihood has further improved. Also, we have achieved 2 years ahead of schedule the main target of the "Sixth 5-Year" Plan, which should have been achieved by 1985. However, some difficulties and problems still exist. The major one is that economic results, in particular industrial economic results, have not improved considerably; and the growth of taxes and profits fall far behind that of the output value. In 1983, the budgeted state industrial enterprises' output value increased by 9.3 percent when compared with the same period in 1982, but the tax and profit deliveries increased by only 6.3 percent when compared with the same period in 1982. Though the tax and profit deliveries have shown a considerable improvement compared with the previous year, the growth rate remains well below that of the output value. Also, when compared with the same period in the previous year, the tax and profit delivered for each 100 yuan of output value were reduced by 0.58 yuan. At the same time, the scale and amount of losses remain large. In 1983, we achieved remarkable results in the work of turning losses into profits. The amount of losses incurred in China's industries dropped 34.6 percent, or 1.48 billion yuan, when compared with the previous year. But 2.8 billion yuan of losses remains unsettled. This is one of the main reasons why China in recent years has had slow growth in its financial revenue; faced construction funds shortage; affected its key construction projects, and speeded up its reform of enterprises.

The amount of taxes and profits that we can get within a certain period (for example, 1 year) under the socialist system after utilizing all of the capital, is the capital-profit and tax rate, or the capital-profit rate (generally

speaking, capital returns). It is also a comprehensive representation of the results of economic activities. The capital-profit and tax rate can reflect not only the result of labor consumption (a reduction of production cost can improve the profit and tax rate), but also the result of capital utilization. We must switch from emphasizing economic results to emphasizing the utilization of capital. We must ensure that the capital-profit rate is retained at a certain level and must not allow any sudden drops. And to achieve a synchronous growth of tax and profit deliveries and output value is an important condition for ensuring the capital-profit rate level. So long as the tax and profit deliveries and the output value grow synchronously, or the tax and profit deliveries grow faster than that of the output value, and, in the meantime, the capital-output value rate does not drop, the capital-profit and tax rate or the capital-profit level may be increased rather than decreased. This shows that we must strive to achieve synchronous [word indistinct] the tax and profit deliveries and the output value in order to implement the direction of the CPC Central Committee on sparing no efforts in turning losses into profits, and to switch our focus of economic work onto the track of heightening economic results. For this reason, it is also an important task for various fronts, such as industry and transportation, to act in the spirit of the 12th NPC Congress.

It is of particularly great significance for us at present to achieve a synchronous growth or an even faster growth of tax and profit deliveries and output value. This is because it will help us to overcome financial difficulties and rapidly increase financial revenue, and it will ensure that the capital requirement of the socialist modernizations is met. It is just because of this that we must achieve a synchronous growth of tax and profit deliveries and output value, particularly the tax and profit deliveries to the state.

#### The Basis for Achieving a Synchronous Growth

In connection with the present specific conditions in China, we can achieve a synchronous growth of industrial production tax and profit deliveries and output value, or even a faster growth rate of tax and profit deliveries than that of the output value. Since 1983, the industrial departments of some provinces and autonomous regions had already achieved a synchronous growth of tax and profit deliveries and output value, and an even higher number of enterprises have done the same.

Some comrades believe that those enterprises, trades, and regions which are at first rather backward have greater potential in achieving a synchronous growth of tax and profit deliveries and output value. But those rather advanced enterprises, trades, and regions face difficulties in achieving a synchronous growth of tax and profit deliveries and output value, as various technological and economic targets are rather advanced. Such an assertion is groundless. Judging from the actual conditions in China, even those relatively advanced enterprises, trades, and regions also possess very great potential. So long as we fully understand the existence of objective potential and adopt appropriate measures, we can bring such potential into play and achieve a synchronous growth.

As a matter of fact, the so-called synchronous growth of tax and profit deliveries and output value is a synchronous surplus product growth and production growth, that is, in the process of production, the growth of C (value of

transforming the means of production) plus V (value of necessary labor creativity) plus M (value of surplus-labor creativity) is synchronous to the growth of M.

The growth of tax and profit deliveries and output value depends on many factors. It comprehensively reflects the present C, V, and M, that is, the development of the three components of the product value. Therefore, by proceeding from the areas of C, V, and M, we have to analyze the conditions and development of synchronous growth of tax and profit deliveries and output value.

Let us analyze C first. C is the value of shifting the means of production, and mainly includes depreciation costs of fixed assets and costs of raw materials, materials, and energy resources, and so forth.

At present, the distinct characteristic of China's industrial production is: Many enterprises have not yet given full play to their present productive capacity. In particular, many processing industries are too large in scale and cannot find enough work for the staff. The rate of utilizing the equipment in many enterprises is just about 50 to 60 percent. If we can improve the rate of utilizing the equipment and, in the meantime, reduce the consumption of energy and raw materials by attaching great importance to technological improvement and by using advanced technology, we can achieve growth in output value and reduce the per unit cost of the product under the present conditions of the equipment and the energy, raw material, and material consumption. This is because the depreciation costs of fixed assets, the costs of raw materials and energy resources, as well as other expenses shared by each unit of the product, will be reduced as a result of an increase in output value. Marx said in "Das Kapital" Volume 3, "Every reduction in the relative cost (that is, the relative cost of an individual commodity--author's note) of the constant capital, assuming the volume of its material elements remains the same, or increases, tends to raise the rate of profit." ("Complete Works of Marx and Engels," Vol 25, p 266) Thus, we should see that it is not just a regional phenomenon that the present productive capacity of enterprises has not been given full play, the utilization rates of the equipment and energy resources are low, and the rate of energy, raw materials, and materials consumption is high. It also occurs to varying degrees in areas where the economies are relatively developed and the economic results are rather high. This shows that the potential for improving the economic results is very great.

At present, many enterprises have taken up too much current capital, and their capital turnover rate is slow. In 1965, the amount of current capital taken up by the industrial enterprises which were owned by all people and practiced independent accounting, was 25.5 yuan per 100 yuan of output value, and the amount reached 29.7 yuan in 1982. On the turnover period of current capital, it required 75 days in 1965; the period was extended to 111.6 days in 1982. Hence, if we speed up the turnover rate of current capital, we may accelerate the growth rate of taxes and profits. This is because the speeding up of the turnover rate of current capital means that the raw materials are fully utilized, the sales of products have been improved, the interest expense shared per unit of product is reduced, and other charges, such as management and warehouse expenses, are also reduced. And all these can bring about an increase in taxes and profits.

Second, let us analyze V, which mainly refers to wages and bonus payments to workers.

Under the circumstances in which the original productive capacity has not been fully utilized, we generally achieve growth in the output value of enterprises without increasing manpower. At present, we can achieve the growth so long as the workers can rather fully utilize the labor time, instead of synchronously increasing the manpower or employing excess labor. Thus, the growth in wage expenses will become slower than that of the output value, that is, we can reduce the wage expenses in the cost shared by each product unit, thereby improving the profit standard, achieving synchronous tax and profit deliveries growth and output value growth, eventually exceeding the latter with the former.

Finally, let us analyze M, which is the value of surplus-labor creativity of the laborer and is the direct source of profits and taxes.

The socialist state enterprise is the one that is owned by all people. This indicates that the absolute majority of the state enterprise's surplus products has to be delivered to the state in the form of taxes and profits (this is the present situation which will shift to tax delivery as the principal form after substituting tax for profit delivery), so as to meet the social demand. If the enterprise retains the majority of the profits, this will affect the country in centralizing the necessary financial resources, and will make it unable to ensure that the capital for socialist modernizations is met. Therefore, when we carry out economic structural reform, we must, in any major reform, correctly handle the relations between the country and enterprises, and pay attention to the conditions for creativity. We must ensure that the country gets the majority, and that the absolute majority of surplus products created by enterprises is delivered to the country. Thus, so long as the enterprise improves the management and administration, heightens the labor productivity, and reduces the cost, it will achieve synchronous, or even faster growth of tax and profit deliveries and output value.

Over a long period in the past, China's state industrial and commercial enterprises have suffered a large amount of losses. Their capital-profit rate is also relatively low. Therefore, they possess great potential in both the work of turning losses into profits and the work of increasing the surplus product M. In 1982, the number of loss-incurring enterprises accounted for more than 20 percent of the budgetary state industrial enterprises as a whole. It is absolutely possible that we can grasp well the work of turning losses into profits, reduce several billion yuan of losses in various areas in a year's time, and increase financial revenue by several billion yuan. Hence, this can ensure a synchronous growth of tax and profit deliveries and output value.

#### Problems That Await to be Studied and Settled

If we want to realize the possibility of making the taxes and profits grow at the same rate as output value growth, or even make it grow faster than that of output value, we must adopt practical and effective measures to solve a variety of actual difficulties and problems which hinder the synchronous growth of tax and profit deliveries and output value.

Our present urgent task is to improve the quality of enterprises, including the enterprise leading groups, the contingents of workers, enterprise technology (this is the key for developing new products and improving quality of products), and management and administration; to strictly enforce financial discipline; to strengthen cost accounting; and so forth. For this reason, we have to consolidate the present enterprises, while stressing scientific progress of technology and management and administration. Since the management and administration level of the present enterprises is too low, we can greatly improve the economic results so long as we grasp well enterprise consolidation and improve the management and administration. Judging from the long-term view, however, we must stress the progress of technology, which can provide both abundant strength and resources for the improvement of economic results.

We must also strengthen and improve the management within the entire scope of the national economy to the effect that good external conditions are created for the enterprises to improve their economic results. For example, when centralizing the production plans and the plans for achieving economic results, we must by no means always put the ministry in charge of products, the provinces in charge of profits, and the cities in charge of output value. This is because the targets put forward by the three parties sometimes contradict each other, so that the enterprises do not know what cause to take. When the country assigns targets to the enterprises, it must also make them known to the competent authorities as well as the provinces, cities and autonomous regions concerned, so that they will take the responsibility of arranging the production plans and examining the financial plans. Let us take another example. On keeping the circulation channels clear, we must, on the one hand, have the enterprises carry out reproduction in connection with the demand and, on the other, frequently provide them with market information and forecasts, keep clear all circulation channels, oppose regional blockades, and sell at a reasonable price as soon as possible all the products which are needed by the society.

We must also do well in studying and settling some actual problems which presently affect the synchronous growth of tax profit deliveries and output value.

First, we must solve the problem in rationalizing product structure and organizational structure of enterprises. One of the main reasons why the growth of China's taxes and profits in recent years has been slow, while experiencing a fast industrial production growth rate, is that the product structure and organizational structure of enterprises is not rational enough. For example, the bicycle is a product that can bring a high level of taxes and profits. In recent years, however, some famous brands, such as Yongnan, Fenghuang, and Feige, (their tax and profit level is the highest in the trade) cannot achieve a fast growth rate in output volume because of the limitations regarding factories, equipment, investment, and so forth. But some enterprises which produce bicycles of inferior brands (their tax and profit level is very low or even unprofitable in the trade) expand both their productive capacity and output volume on a large scale. As a result, their output volume of bicycles grows rapidly and so does their relative output value and their absolute volume

of taxes and profits, but their relative level declines so that the growth of taxes and profits is slower than that of the output value. A similar situation also occurs in the production of some products which can bring a high level of taxes and profits, such as cigarettes, wine, and textile products. Therefore, in the area of macroeconomics, we must determinedly put an end to the situation of having small enterprises squeezing large ones, and having the backward enterprises squeezing the advanced once, otherwise, we shall cause a further decline in some enterprises' tax and profit level, affecting the realization of a synchronous growth of tax and profit deliveries and output value. At the same time, we must rationally arrange the development of light and heavy industries. At present, the capital-profit and tax rate of China's light industry is 300 percent higher than that of the heavy industry (1981 statistics figure). Hence, it is also an important condition for us to maintain a rational structure and an appropriate proportion between light and heavy industries, that is, we should no longer allow the heavy industry to grow unilaterally and squeeze the light industry, as it has in the past, in order to achieve an overall synchronous growth of tax and profit deliveries and output value in the industrial department.

Second, the arbitrary price increases in the means of production have brought many difficulties to the work of turning losses into profits, as the enterprises find it difficult to oppose them. According to an investigation by Liaoning Province on 90 large enterprises which yielded 80 percent of the province's profits, in the first half of 1983, they made 2.01 billion yuan in profits, a reduction of 9.9 percent, when compared with the same period in the previous year. This figure included the reduction of 330 million yuan in profits because of price rises in some raw materials, materials, energy resources, and so on. The price rises accounted for 14 percent of the profits achieved. On 3 July 1983, after the State Council and the Central Discipline Inspection Commission issued an urgent circular on determinedly putting an end to arbitrarily rising the price of the means of production, the situation has rapidly taken a turn for the better. But the present problem is: If we do not appropriately control the capital construction investment and consumption funds, cannot achieve a balance of revenue and expenditure, but instead engage in issuing notes, we shall be unable to halt the price rises of the means of production. Even if we are successful in halting the price rises for the time being, we cannot maintain the situation. This is because the issuance of notes will inevitably bring about inflation, and the means of production will take the lead in the price rises.

Third, whether or not a product is marketable has a bearing on whether or not the production of an enterprise meets the need of the society and on whether or not it can achieve taxes and profits. At present, in the wake of production and technological development, products of many enterprises, particularly the outdated products which have remained the same over the past decades, have become more and more unable to conform to the social and consumers' demands. According to investigations, of 8,279 kinds of products handled by nine industrial bureaus in Tianjin City, only 3.1 percent meet the international standard; and about 40 percent of the 2,179 kinds of products handled by the No 1 engineering bureau are no longer produced. About 1.6 percent of the



16,900 kinds of products made in Liaoning Province meet international standard; and, after analysis, about 47 percent of the 393 kinds of products of 32 enterprises in Shenyang City have to cease production because they are lacking in competitiveness, are unmarketable, and are overstocked.

At present, those rather advanced enterprises have already employed a product development system, in which a new type of product begins developing before its predecessor is no longer produced, so that the enterprises are always able to put their mature products on the market, can maintain rather strong competitiveness, and can make marketable goods. Basically, when dealing with the issue, we must settle it by means of attaching great importance to the progress of technology and of carrying out technological reform among the existing enterprises.

In addition, we must also resolutely put an end to the malpractice of having various areas arbitrarily apportioning the enterprises for expenses so as to relieve their burden. We must also reform the laboring system, and further overcome the phenomenon of eating from "the same big pot" and holding an "iron rice bowl." These also play an important role in achieving a synchronous growth of tax and profit deliveries and output value.

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END